

North Western Provincial Council – 2025

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the North Western Provincial Council for the year ended 31 December 2025 comprising the statement of financial positions at 31 December 2025 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including material accounting policy information, 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 Council 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 Council Act and Subsection 11 (1) of the National Audit Act No. 19 of 2018 was issued on 29 May 2026 and the Detailed Management Audit Report was issued on 30 June 2026 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Sub-section 10 (1) of the National Audit Act, No.19 of 2018 and the copy thereof will be submitted to the Governor to table in 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 section of my 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 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standard.

1.2 Basis for Qualified Opinion

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	The Land Rover Discovery vehicle, valued at Rs. 24,000,000 and belonging to the Governor's Office, which was completely destroyed by setting fire in the year 2022, had been accounted under Property, Plant and Equipment.	The actions will be taken to dispose the asset upon receiving approval after receiving the Investigation Report from the Criminal Investigation Department.	The actions should be taken to correctly account the Property, Plant and Equipment.

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| (b) | Unidentified liabilities for the year under review included in the liability register and financial statements of the Provincial Department of Health Services amounted to Rs. 186,097,136. | The steps will be taken to minimize the errors of such nature. | The actions should be taken to account the correct values. |
| (c) | Even if the motor vehicle valued at Rs. 3,330,000 belonging to the Department of Cooperative Development had been removed from the use, the steps had not been taken to dispose it until the end of the year under review, and had not been accounted under the non-financial assets in the financial statements 2025. | The matter has been referred to the Chief Secretary's Office for disposal activities. | It should be accounted until the disposal is done. |
| (d) | The capital expenditure amounting to Rs. 72,635,253, incurred from the year 2021 to 2023 for the construction work of the Nattandiya Training Centre belonging to the Department of Cooperative Development, had been written off as an expense against the revenue of each respective year without being capitalized. | Accepted | The steps should be taken to capitalize. |
| (e) | Even if the electricity systems under infrastructure assets should be accounted under Property, Plant and Equipment in terms of Section 19 of Sri Lanka Public Sector Accounting Standard 07, the expenditure of solar power systems amounting to Rs. 4,822,702 given for the islands had not been capitalized. | The steps will be taken to capitalize it in the current year. | The steps should be taken to capitalize. |

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 Standard 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 each institution including the Provincial Treasury is 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 misstatements, whether due to fraud or error, and to issue an auditor's summary 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 and its materiality depends on the 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 exercised 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 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 Comments on the Financial Statement

1.5.1 Head 201 – Governor of North Western Province

1.5.1.1 Transactions of Contentious Nature

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A total of Rs. 442,443 had been incurred for the Governor's official residence from January to September 2025, comprising Rs. 104,583 for water bills, Rs. 293,943 for electricity, and Rs. 43,917 for gas, and the authority for these payments was not presented for the audit.	The approvals that gave the basis for the payments has been difficult to be specifically identified. The steps will be taken in future to inquire from the relevant institutions and obtain confirmation regarding these payments.	The payments should be made subsequent to identifying the authority.

1.5.2 Head 203 - North Western Provincial Council Public Service Commission

1.5.2.1 Performance

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even if a period from 1 to 2 years and 09 months had passed as at 31 August 2025 upon the issuance of charge sheets by the North Western Provincial Public Service Commission regarding two officers of North Western Provincial Council, the disciplinary orders had not	There is a certain timeframe between the issuance of a charge sheet for a disciplinary inquiry and the issuing of the disciplinary order after the inquiry, and there is a broad range of work between issuing the charge sheet and the issuing the disciplinary order.	The required measures should be taken to prevent unusual delays.

been issued. Further, there was a delay of 02 to 04 years between the issuance of charge sheets and the giving disciplinary orders in respect of 05 officers.

1.5.2.2 Transactions of Contentious Nature

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Since marks sheets presented by the answer script examiners regarding the Examination for the Recruitment of Graduates on District Basis to Grade 1 (a) of Class 3 of the Sri Lanka Teachers' Service for the vacancies in Provincial Council Schools of North Western Province - 2024, and the Limited Competitive Examination for Recruitment of Junior Employees of the North Western Provincial Council Public Service to Grade III of the North Western Provincial Council Management Service Officers' Service – 2024 had been changed by using correcting fluid to alter the marks and the initial marks had been changed to different marks. Consequently, the transparency of the recruitment process had not been assured.	In the future recruitment examinations conducted by the North Western Provincial Public Service Commission, the steps will be taken to obtain a final marks list containing the signatures and official stamps of the examiners subsequent to making all corrections.	The proceedings should be made in a manner that ensures the transparency of result sheets.

1.5.2.3 Operational Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In the examination of 42 unfinished investigations of the Public Service Commission as at 31 December 2025, it was observed that there were 12 instances where investigation proceedings relating to the inquiries remained uncompleted and ongoing although a period of 06 months to 02 years had passed since the preliminary investigation reports were received, and 13 instances where 03 months had passed since the preliminary investigation reports were received and however the investigation boards had not been appointed. Further, the investigation activities relating to 04 investigations had not been started. Although the investigations were conducted based on facts disclosed regarding 24 incidents related to financial frauds and 09 incidents related to child abuse in schools out of the said unfinished 42 files, a program had not been prepared to prevent the occurrence of such incidents in the future.	Once a preliminary investigation file is submitted to the Commission, there is a broader scope of work to be performed between issuing a charge sheet and issuing the disciplinary orders.	The required measures should be taken to prevent delays in carrying out investigations, issuing charge sheets, and issuing disciplinary orders.

1.5.3 Head 210 - Chief Minister of North West and Provincial Minister for Finance and Planning, Engineering Services, Law and Order, Education, Local Government and Provincial Administration, Economic Promotion, Environmental Affairs, Water Supply and Water Drainage and Tourism

1.5.3.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 09/2006 dated 30 May 2006 and Paragraph 3 of Circular No. 29/2018 dated 01 August 2018 issued by the Secretary to the Ministry of Education	Even though the non-academic staff officers belonging to the secondary level employed in government schools are required to serve 7 hours and 45 minutes per day about 2,107 Development Officers serving in the schools of the North Western Province had served for only 06 hours from 7:30 a.m. to 1:30 p.m; which is the duty hours of the teachers in those schools, as per the instructions of the Chief Secretary of North Western Provincial Council and the Secretary to the Chief Minister of North Western Provincial Council. Because of this privilege, it had not been possible to attach excess officers in schools to the Department of Education or Zonal Education Offices.	It has been difficult to determine the duty hours since the duties of Development Officers serving in schools are performed not only as Development Officers, but certain officers serve as teachers in those schools. However, the relevant officers have been informed to study all information and submit proposals.	The proceedings should be made in accordance with Circular No. 11/2025 dated 20 May 2026 issued by the Secretary to the Ministry of Education.

1.5.3.2 Non-fulfillment of Tasks

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the primary objective of the Wayamba Provincial Water Supply and Environmental Sanitation Unit is to regulate community-based organizations established to provide water supply and environmental sanitation to the people of the Province, the chemical and bacteriological tests for the samples of water distributed to the public from 79 water projects which are in operation during the years 2019 to 2025 should be conducted through a recognized laboratory. However, the proceedings had not been done accordingly.	The copies of test reports on the chemical and bacteriological testing of treated water from Reverse Osmosis (RO) water purification systems implemented from 2019 to 2025 are not obtained by this Unit, and it was not possible to submit the said copies to audit under these circumstances.	The testing of water samples should be monitored in accordance with the guidelines issued to community-based organizations.

1.5.3.3 Failure to Achieve the Desired Output

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although the construction of the water tank and laying of water pipelines had been carried out by the Project for the Development of Water and Sanitation Facilities in the Ihala Digana village of Galgamuwa under the project of the Development of Villages with Special Needs at a cost of Rs. 8,827,020 and Rs. 9,445,604 in the years 2021 and 2023 respectively, water had been provided to only 40 households out of the target number of beneficiaries of 295 households even by the end of the year under review, the performance of the project remained at a minimum level of 13 per cent.	Although about 295 members of the community-based organization had obtained the membership at the time of starting the Galgamuwa Ihala Digana Water Project, a large number of people had resigned from the said membership and obtained alternative water facilities by the time of completing the project since the project could only be completed across several phases. However, it is kindly mentioned that water has presently been provided to about 98 members through this project, and it came to know from the said community-based	The project should be completed within the stipulated timeframe and the steps should be taken to enhance project performance ensuring that the benefits are provided to the target beneficiaries.

organization that around 10 applications have further been submitted for water connections.

1.5.3.4 Abandonment of Projects Without Completion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although an expenditure of Rs. 210,296,578 had been incurred as at 24 January 2026; the date of audit, for the Development of the Wayamba Folk Art Foundation Project started in the year 2016, the said constructions remained idle even as at 31 December of the year under review	The provisions up to a maximum limit of Rs. 300 million have been allocated for the year 2026 by Letter No. NWP/PT/Ap/06 dated 17 December 2025 of the Provincial Treasury, and the initial activities related to the construction have been started.	The steps should be taken to initiate projects subsequent to analyzing the costs/ benefits and carrying out a proper feasibility study.

1.5.4 Head - 211 Department of Local Government – North Western Province

1.5.4.1 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
Necessary action had not been taken to recover the value of 02 surcharge certificates of Rs.1,839,452 issued by the Auditor General in relation to the functions of the local authorities in North Western Province in the years 1994 and 1995 as per the documents and letters maintained in relation to the surcharges of the local authorities in North Western Province even up to 31 December 2025.	The surcharge amount to be further recovered is Rs. 1,839,452 and the action will be taken as per the instructions of the Ministry of Local Authorities.	The action should be taken to immediately recover the surcharge.

1.5.5 Head - 212 Department of Engineering – North Western Province

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

	Reference to laws, rules and regulations	Non-compliance	Comments of Accounting Officer	Recommendation
(a)	Establishments Code of Democratic Socialist Republic of Sri Lanka			
(i)	Paragraph 3.2 of Chapter VIII	Overtime is payable only for work which has been specifically ordered falls quite outside the normal work, is urgent and cannot possibly be performed within the normal office hours and the combined allowance and transport allowance of Rs.375,274 had been obtained for the dates on which the field duties had been carried out on the dates on which the project field inspections are carried out by 13 Technical Officers of Department of Provincial Engineering and Wariyapola Regional Engineering Office within their normal duty time and the action had been taken to obtain the overtime of Rs.347,769 for that time period on same dates also.	The measures had been taken to pay the overtime for the period of time outside the normal duty time after obtaining the approval of the Chief Secretary. The instructions had been given in relation to how to take action with regard to payment of overtime by the letters No. ඩඉඅ/අ/04/6/1 dated 17 December 2025 and No. ඩඉඅ/4/1/1 dated 05 December 2025. The payments had been made pertaining to the letter No. NWP/CS/AD/15/1/1/2025 dated 25 November 2025 of Chief Secretary of Northern Province.	The action should be taken as per the Establishments Code.

(ii) Paragraph 4 of Chapter VIII	Though an officer whose work lies mainly in the field, is not confined to one particular place, involves regular attendance at work sites beyond the strict confines of any office : whose duties are of a supervisory nature and who is expected to undertake inspections, visits, etc and staff officers are not entitled to obtain overtime, an overtime of Rs.3,222,605 had been paid for the last 03 months in the year 2025 to 07 Engineers, 71 Technical Officers and 03 Draftsman of Department of Engineering after obtaining the approval for the payment of overtime to the officers belonging to the posts of Engineer, Quantity Surveyor, Architect, Technical Officer and Draftsman as per the letter No. NWP/CS/AD/1/1 dated 11 November 2025.	The action had been taken to pay overtime with a formal approval by the letter No. NWP/CS/AD/15/1/1/2025 dated 25 November 2025 of Chief Secretary.	The action should be taken as per the Establishments Code.
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1.5.5.2 Abandoned Projects

Audit Observation	Comments of the Accounting Officer	Recommendation
It had been entered into a contract with a value of Rs.45,138,012 with CESL Institute as first phase	The first phase of the construction of children's ward complex and Emergency Treatment Unit with	The action should be taken to get allocated the provision by giving

on 02 January 2019 for the construction of the children ward complex and Emergency Treatment Unit of Marawila Base Hospital with 05 stories and a sum of Rs.47,905,434 had been incurred by 15 December 2020 for the construction of the structure up to SLAB in first floor under first phase. After that, no any provision had been allocated through the Ministry of Health within 05 years for the remaining constructions from 2020 to September 2025. The wires of the building had worn away due to not taking action to complete the works in the remaining part of the building more than 05 years and the structural part presently constructed was wearing away. As a result of that, it can't be excluded that Rs.47,905,434 incurred in the phase 1 had become an idle expenses and a huge cost had to be incurred in the commencement of the construction again.

05 stories of Marawila Base Hospital had been completed in December 2020 and later, it is informed that even though a number of years had elapsed, the provisions had not been received so far for remaining construction activities. Even though the estimates had been prepared as per the request of Provincial Health Services Department in relation to the construction of this building with 05 stories as phase wise, it is informed that the remaining construction had not been commenced so far. The estimates prepared for the construction in second stage had been forwarded to Provincial Health Services Department by the letters dated 23 February and 28 June 2021. Similarly, since the wires of the building had worn away, an estimate of Rs.358,000 had been prepared and forwarded for taking action to protect wires from rusting, the provision had not been received for that.

priority for the essential constructions.

1.5.5.3 Procurement Activities

Audit Observation	Comments of the Accounting Officer	Recommendation
The U shaped drainage located behind 100 x 20 classroom building commenced in 2024 and renovated in March 2025 with a contract value of Rs.5,949,440 had not been constructed without proper finish and the deficiencies such as construction without paying attention to the safety of	The total amount of Rs.739,710 had been only incurred for cutting drainage. The premises renovated by using the public finance should be properly maintained and protected by the relevant institute. It had been informed by Regional Engineer that the drainage constructed for	A proper monitoring should be made to ensure the constructions are carried out in proper finish and durability.

the children and broken the concrete slabs erected for access to the classrooms within short period had been found in the physical inspection and no steps had been taken to get the maximum benefits from the amount incurred.

flowing water had been erected in good finish. Since cement rendering on the concrete had cracked, the contractor had been made aware to cement them and renovate those places during the period of maintenance. If the contractor does not make the defects, the action will be taken to renovate through an alternative method from the retention money.

1.5.5.4 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Wenappuwa Regional Engineering Office had been maintained in the buildings obtained on rent basis from 1990 up to the year under review and a sum of Rs.5,712,000 had been paid to the outside parties as lease rental from 2021 to 2025. Even though a plot of land had been provided to Regional Engineering Office in 2009 from Divisional Secretariat, said land had been idle about 16 years on not taking action for the construction of the office building.	Since the Department has a land for the construction of a building, the requests had been made several times to allocate the provisions required for the construction of a building and no provision had been received so far for that purpose. The department has no provision components allocated for the construction of the buildings and though the provision had been annually requested for constructions, only the provisions allocated from criteria based grants had been received. It had been included in the financial estimates in 2026 to obtain the provisions for the construction of Wennappuwa Regional Engineering Office.	The provision should be get allocated to construct the office premises by effectively using the plots of land provided.

1.5.6 Head 213 - Department of Education – North Western Province

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

Reference to laws ,rules and regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
Establishments Code of Democratic Socialist Republic of Sri Lanka			
(i) Appendix 09 of Chapter xv	The agreement on abroad on no-pay leave has ended and if that person had not reported for duty again, the money recoverable as per the agreement shall be paid to the Government from valid currency of Sri Lanka.07 teachers in Sri Lanka Teachers' Service attached to Giriulla and Mahawa Zonal Education Offices had not reported for the duty again after completing the leave abroad. In terms of the section (2)(iv) of the agreement, an amount of Rs.6,161,174 recoverable from such officers had not been recovered even up to the end of the year under review.	The notice of vacation of post and the notice for recovery of penalties had been issued to 05 teachers in Giriulla Zone and 02 teachers in Mahawa Zone. A request had been made by Mrs.W.A.Sunethra Liyanage in Mahawa Zone to the Public service Commission for reinstatement in the service.	The action should be taken to recover relevant amount as per the Establishments Code.
(ii) Circular No 05/2019 dated 25 Feburary 2019 of the secretary to the ministry of Education	In grade 5 scholarship online payment programe student data base completed by the school should be certified and forwarded to the bank by the Zonal Education Office before 29 th of each	It had been made aware the all Zonal Educational Directors to take action in zonal level for minimization the delay of credit this amount to the accounts of the students who obtain	The action should be taken to provide the benefits to the students in proper manner by taking every efforts.

month for the payment, scholarship grants and since scholars data are not collect the information of correct, Rs.2,427,250 of the students of all scholarship grants for the schools whose April 2023 to June 2025 scholarship grants had has been retained in not been credited to the General Deposit Account accounts and submit it to in Zonal Education Office the Manager of People's while Rs.1,876,503 has Bank and settle. been credited to government income for the period of september 2021 to september 2023.

1.5.6.2 Losses and Damages

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though an amount of Rs.5,023,050 from each grade level and a sum of Rs.1,355,000 from sponsorship contribution and donations had been received for the souvenir of the musical concert approved by school development plan in the year 2024 of Wennappuwa Holy Family Convert, such amount had not been credited to official bank account of School Development Societies.	It had been emphasized the principal that any project to be carried out within school should be implemented in compliance with Circular 54/2023.	The action should be taken to credit the income to School Development Societies and incur the expenses.

1.5.6.3 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) No action had been taken to take over the ownership of the land of 1043 schools out of 1204 located in 08 Zonal Offices belonging to Provincial Department of Education even by 31 December 2025.	There are 161 schools which had taken over the ownership of them.	The measures should be taken to obtain the transfer orders after surveying the lands.

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| <p>(b) The balance of Rs.6,568,279 of the current accounts and fixed deposit balance of Rs.2,917,083 in relation to 04 centers had existed as at 31 December of the year under review of 09 Information and Distant Education Centers in North Western province. But the evidences for crediting the interest income related to said fixed deposits to current accounts had not been submitted to the audit.</p> | <p>This interest income is operated on the necessity of such centers and decisions of committees.</p> | <p>The action should be taken to utilize as per the circulars and invest under more advantageous interest rates.</p> |
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1.5.6.4 Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though every officer in North Western provincial council service and every officer absorbed to North Western Provincial Council is subject to the transfer in terms of section 192 of Chapter xviii of Procedural Rules of North Western provincial Council ,no action had been taken accordingly in relation to the officers in Educational Administrative Service who had been attached to North Western Provincial Council. As per the information submitted to the audit by Provincial Department of Education, the opportunity had been provided to 35 officers attached to 06 Zonal Educational offices to serve in one place for a period from 06 years to 18 years. Similarly, it couldn't be fulfilled the objectives iii,vi,vii and viii expected from section 194 on non-implementation of annual transfer specified in section 195.	The action will be taken to implement the transfers by North Western Chief Secretary who is the authority for implementation of the annual transfers of Sri Lanka Educational Administrative Service.	The action should be taken to implement the annual transfers in compliance with the provisions of circular.

1.5.7 Head - 221 Department of Co-operative Development – North Western Province

1.5.7.1 Management weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
Rs.82 million under 04 stages to Puttalam District Rice Producers Co-operative Society and Rs.69 million under 06 stages to Kurunegala District Rice Producers Co-operative Society had been provided during the period from 01 November 2023 to 20 March 2024 under loan granting program for small and medium scale paddy millers by Ministry of Trade, Commerce and food Security and a total amount of Rs.140.53 million was outstanding from Puttalam and Kurunegala Co-operative Societies as Rs.71.53 million and Rs.69 million respectively by 05 March 2026. In addition, no action had been taken to recover a total sum of Rs.20.8 million as late fee for the delay of paying loan by Kurunegala and Puttalam Co-operative Societies as Rs.16.33 million and Rs.4.47 million respectively.	The installment of Rs. 1,150,000 for December 2025 in relation to Rs.69 million provided to Kurunegala District Rice Producers Co-operative Society Ltd. had been recovered to the society. Similarly, A sum of Rs. 3,700,002 of installments for December 2025 and January and February 2026 as agreed for Rs.82 million provided to Puttalam District Rice Producers Co-operative Society Ltd. had been deposited in the current account and It had been deposited in the General Deposit Account presently until the instructions of the Food Commissioner was retained. Since the installment with regard to January had not been settled even by 15 February 2026 by Kurunegala District Rice Producers Co-operative Society Ltd., necessary awareness had been made by the officer in charge of societies participated for the meetings of Hon.Board of Directors of the society. In addition, it had been made aware to immediately pay the money to the members of two societies.	The action should be taken as per the agreements.

1.5.7.2 Transactions of Contentious Nature

Audit Observation	Comments of the Accounting Officer	Recommendation
The functions of the Department of Co-operative Development are settlement of the disputes within the co-operative societies, concluding judgments, empowerment of courts and payment of the court fines received to relevant societies. A sum of Rs. 19,528,056 had been divided to the officers of Department as incentives from 2022 to July 2025 through Internal Circulars No.02/2001 and 12/2019 of Department of Cooperative Development for discharging these duties. No legal provision or formal approval of provincial council was available for this.	Since the all activities such as appearance before the open court after empowerment of the courts, collection of the information related to such concluding judgments and release the court fines to the societies after receipt to Department are performed by court officer, this incentive is paid after issuance of the circular since 2001. The payment of incentive had been made as per the Internal Circulars No.02/2001 dated 15 February 2001 and No.12/2019 dated 07 August 2019. The measures are being taken to obtain a formal approval of Provincial Governor and Provincial Chief Secretary in relation to Internal Circulars.	A formal approval of the provincial council should be obtained to pay the incentives.

1.5.8 Head-230 Provincial Minister of Health, Indigenous Medicine, Social Welfare, Probation and Childcare Services, Women's Affairs and Council Affairs of the North Western Province

1.5.8.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Section 13.2 of Chapter XLVII of Part II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although every preliminary investigation should be completed promptly, there had been 12 investigations that had taken between 3 years and 6 months to 1 year and 3 months to submit the preliminary investigation	The completion of this preliminary investigation has been delayed due to the heavy workload of the preliminary investigation committee. Instructions have been received to	Actions should be taken to act as per the Establishments Code.

report as of 30 April 2026 complete the work after the authorization for expeditiously. the preliminary investigation was granted.

1.5.9 Head 231 - Health Services Department - North Western Province

1.5.9.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
(a) In accordance with Section 214 of Chapter XV, Part I of the Public Service Commission Procedural Rules for the North Western Province and Section 173	Actions had not been taken to recover the amount of Rs.545,855 paid in excess to 12 officers who were deemed to have vacated their posts as at the end of the year under review. evidence was not submitted to the audit to verify the amount paid in excess to 14 other officers who were deemed to have vacated their posts.	Since any response to the audit inquiry has not been received from the Regional Director of Health Services, the response will be obtained promptly and presented to you.	Actions should be taken to recover the overpayments from officers who have left their posts.
(b) Rules 466 and 477 of the North Western Province Financial Rules	The Board of survey activities in the year 2025 of 62 out of 173 institutions belonging to the Kurunegala Regional Health Services Directorate, 41 out of 64 institutions belonging to the Puttalam Regional Health Services Directorate had not been completed even by 30 June 2026, and the 2024 Board of survey activities of 05 institutions	Answers have not been submitted.	Actions should be taken to complete Board of survey in accordance with provincial financial rules.

belonging to the Puttalam
Regional Health Services
Directorate had not been
completed.

1.5.9.2 Failure to Achieve Expected Out-put Level

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although Rs.9,003,357 and Rs.28,417,499 had been received from 15 hospitals in 2024 and 21 hospitals in 2025 respectively, the Canteen Fund had only paid Rs.10,865,826 and Rs.11,489,936 for hospital expenses in 2024 for 6 hospitals and for 6 hospitals in 2025 respectively. A balance of Rs.54,214,745 in the Canteen Fund had not been spent on hospital expenses as of 31 December 2025.	Answers have not been submitted.	Arrangements should be made to spend the money from the canteen fund on hospital activities.
(b) About 238 and 371 private medical institutions had been registered in the years 2024 and 2025 respectively under the Private Medical Institutions (Registration) Act No. 21 of 2006 and although the North Western Provincial Council received a total of Rs.12,555,490 as registration fee income in the years 2024 and 2025, the money in this fund had not been utilized for a long time and had not been used for the requirements of registering private medical institutions.	Answers have not been submitted.	These funds should be used for the purposes required for the registration of private medical institutions.

1.5.9.3 Utilization of Vehicles

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Although 5 years had passed since the accident of the ambulance bearing No. LW-1790 at the end of the year under review, the repairs of the ambulance had not been completed and although an amount of Rs.5 million had been paid without any approval and without a technical report, it was not in a running condition due to the repairs not being completed. Although the driver had been dismissed from service, the loss of Rs. 11,705,970 in the accident for which the insurance refused to pay had not been recovered from the responsible parties.	The ambulance bearing number LW-1790 has been referred back to the relevant institution for final repairs and legal action has been taken to recover the damages caused by the accident.	Actions should be taken to complete the repairs to the ambulance and to recover the losses incurred by the government.
(b) Although 4 years have passed since the accident on 9 September 2021, the cab bearing PE-4736 belonging to the Kurunegala Regional Health Services Directorate was not repaired and although the driver was reinstated on 16 April 2025, a formal disciplinary investigation had not been conducted.	The cab bearing number PE-4736 has been approved for repair by Toyota Lanka and the insurance company has agreed to pay the Reimbursement value. The driver has been reinstated in the position of Health Assistant (General) without any back pay for the period of absence, subject to a formal disciplinary investigation.	Actions should be taken to complete the repairs and conduct and complete the disciplinary investigation promptly.

1.5.9.4 Idle / Underutilized Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
The Suwatha Piyasa Fitness Center, which was operated in a building of the Kurunegala Health Directorate Office charging fees	The Suwatha Piyasa Fitness Center has been provided to the North Western Provincial Sports Development	Appropriate measures should be taken urgently regarding the inactivity of the Swastha Piyasa.

since March 2019, was closed from 29 April 2025. As a result, the 91.5 feet long and 31 feet wide fitness center building and its equipment remained idle since that date and the purpose of establishing the center had not been fulfilled.

Department for a training program by trainers every Thursday of the week. A committee consisting of 07 officers has been appointed to inspect and report on the reopening of the Suwatha Piyasa Fitness Center, which is currently closed.

1.5.9.5 Operational Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The value of expired medicines in health institutions under the Puttalam and Kurunegala Regional Health Services Directorates for the year 2025 was Rs.2,324,885. The value of expired medicines in the previous year was Rs.873,597, an increase of Rs. 1,451,288 or 166 percent was observed in expired medicines compared to the previous year.	The increase in the value of expired medicines in 2025 compared to 2024 is not due to an increase in the quantity of medicines but rather to an increase in the unit price of the expired medicines. The use of new substitute medicines has also led to the expiry of expired medicines. Such uses cannot be predicted in advance and are a situation that arises in practice after estimation.	Necessary actions should be taken urgently to provide medicines to the necessary institutions before they expire.
(b) The value of substandard medicines in health institutions under the Puttalam and Kurunegala Regional Health Services Directorates for the year 2025 was Rs.2,341,225. This was Rs.268,624 in 2024, an increase of Rs.2,072,631 or 771 percent compared to the preceding year.	The distribution of medicines is done by the Colombo Medical Supply Division and the circulars issued by the Medical Supply Division on various occasions determine that the medicines issued to the stores are unsuitable for use. This situation cannot be controlled by the health institutions in the district.	Disposal activities should be expedited.

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| <p>(c) The Kurunegala Regional Health Services Directorate had made local purchases of 130 types of medicines worth Rs.35,839,564 on 130 occasions during the year under review. The purchase and distribution had been carried out manually outside the system without including the Swastha system and only the order had been submitted using the Swastha system.</p> | <p>Since answers have not been received from the Kurunegala Regional Director of Health Services regarding the audit queries, the answers will be obtained promptly and presented to you.</p> | <p>Actions should be taken to carry out the Procurement and distribution through the swastha system itself.</p> |
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1.5.10 Head 232 - Department of Ayurveda - North Western Province

1.5.10.1 Operational Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Actions had not been taken in accordance with Section 07 of Chapter V of the Establishments Code regarding an officer who had been working at the Horembuwa Central Dispensary and had been paid Rs. 729,045 as gross salary from March to August 2025 in respect of the period during which he did not report for duty.	The relevant Community Health Medical Officer has been issued a notice of resignation and a request has been made to the Secretary of the Public Services Commission through my letter No. W/Ayu.Ko/B 12/Inquiry/2025 dated 02 October 2025 regarding the recovery of the salary paid from February to August 2025.	Actions should be taken to act in accordance with the Establishments Code and recover salaries paid for the period not served. Internal control systems should be developed so that officers' absence from work is reported promptly.

1.5.11 Head 233 - Department of Social Services - North Western Province

1.5.11.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
Circular 06/2021 of the Secretary to the Ministry of Education No. ED/03/38/11/01 (II) dated 28 April 2024	Although it was stated that there should be one teacher for every five children with special needs, that requirement had not been met as the total number of instructors for the 21 skill development centers for children with special needs in the province was 39 and the number of students receiving education was 458.	The approval of the Department of Management Services to recruit on a contract basis for the vacancies of Special Education Consultants has been sent to the North Western Provincial Public Services Commission. Approval has also been received to recruit on a permanent basis for 12 consultant posts and the relevant information has been submitted to the Chief Secretary.	Actions should be taken to act as per the circular instructions.

1.5.11.2 Operational Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
A total of Rs. 2,772,304 had been retained in the accounts of 05 bank accounts of 05 elderly homes without being spent for the welfare of the elderly as of 31 December 2025.	The governing boards of all elderly homes have been informed by letter No. NWP/SSD/DEV/11/Common/1 dated 09 March 2026 regarding the manner in which the Health Fund account is handled.	Actions should be taken to utilize the money from the Health Fund for the welfare of the elders.

1.5.12 Head - 234 Department of Probation and Child Care Services

1.5.12.1 Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
Section 13.3 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Although an acting appointment should be made only until a permanent appointment is made, the post of Assistant/Deputy Director, a Grade III/II post in the Sri Lanka Administrative Service in the Fisheries Division of the Provincial Ministry of Agriculture, has been vacant for 14 years and a Development Officer had been appointed on an acting basis without taking steps to fill the vacancy even by 31 March 2026.	Relevant information has called for the recruitment of 12 more posts including 02 Senior Probationary Officer posts through letter of the North Western Chief Secretary No. NWP/CS/AD/11/10/37 dated 20 March 2026 and relevant information has been submitted by the letter No. NWP/DPCS/ADM/04/05 dated 29 March 2026.	Actions should be taken to fill the vacancies.

1.5.12.2 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
A 100 KVA generator was purchased on 29 May 2025 by inviting quotations under the shopping method for the purchase of an 85 KVA generator for the use of the Department of Probation and Child Protection. Although Section 3.4 of the Procurement Guidelines (2006) states that readily available goods of low value should be purchased following the shopping method, the generator had been purchased at a cost of Rs.6,595,610, contrary to this.	The project to purchase a generator was approved in November 2024. Since it was not possible to complete the project by conducting all the relevant activities and calling for open quotations, arrangements have been made to purchase the machine.	Actions should be taken to act as per the Procurement guidelines.

1.5.13 Head 241 – Road Development Department – North Western Province

1.5.13.1 Non-compliance with Laws, Rules and Regulations

	Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
(a)	Paragraphs 3.1 and 4.2 of Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Despite the fact that it has been stated that overtime should be paid only when there is no other way to complete the work and overtime allowances can only be paid for urgent work that is definitely outside the normal work schedule, for work that cannot be completed during normal office hours and for officers who are assigned supervisory duties that require them to regularly visit work sites outside the limits of an office, there is no entitlement to overtime pay. However, contrary to this, the payment of overtime allowances had been approved through the Chief Secretary's letter No. NWP/CS/AD/15/1/1 2025 dated 25 November 2025 for the posts of Engineer, Quantity Surveyor, Architect, Technical Officer, and Planner with the approval of the	The Provincial Council had taken this decision as there were not adequate officers in the department to carry out the work as scheduled on 31 December 2025 based on the provisions allocated in the year 2025 and acting accordingly, payments were made within the relevant limits given based on the actual work performed.	Actions should be taken to act as per the provisions of the Establishments Code

Governor. Accordingly, the Roads Department had taken steps to pay overtime allowances of Rs.1,314,204 to the officers for a period of 3 months in the year under review.

(b) Section 571(2) of the Financial Regulations Code of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken to settle or credit to the state revenue 22 past due deposits worth Rs.5,279,691, which were over 2 years old from the date of deposit with the Road Development Department.	Although most of the deposits have exceeded 2 years, they have been held as they cannot be released until the relevant work is completed and actions will be taken to release the money as soon as the relevant work is completed.	Actions should be taken to act in compliance with financial regulations/provincial financial rules and maintain up-to-date information regarding contracts.
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1.5.13.2 Expenditure Management

Audit Observation	Comments of the Accounting Officer	Recommendation
During the year 2025, the Department of Road Development received imprests amounting to Rs. 2,221,817,617 from the Treasury and other sources, while incurring an expenditure of Rs.2,014,634,025. Due to the inability to implement the tasks as scheduled, action was taken to settle the unutilized provisions of Rs.207,183,593 back to the Treasury.	These imprest funds were requested from the provincial treasury with the intention of making payments for all of them at the end of the year, and these funds were left over due to deficiencies in the received bills and the fact that bills were not received for payments as expected.	Action must be taken to efficiently utilized the provisions as planned.

1.5.13.3 Non-reaching of the Expected Output Level

Audit Observation	Comments of the Accounting Officer	Recommendation
Although a provision of Rs.300,000,000 was allocated under the periodic maintenance system for roadside jungle clearing and updating road damages, the provision was reduced to Rs.37,757,267 due to non-performance of work as expected and the transfer of provisions to other activities. Out of 825 road sections across 06 Executive Engineer offices, maintainers could not be appointed for 426 road sections during the year 2025 for roadside jungle clearing, resulting in a physical progress of 48 percent	During road maintenance activities, roadside jungle clearing and updating daily road damages are carried out under Routine Maintenance. Due to non-technical tasks being implemented through road maintainers the expected provisions were not required, and a shortage of periodic maintainers has impacted this situation.	Action should be taken to systematically carry out the clearing of roadside jungle by appointing maintenance team for all road sections or by utilizing another suitable alternative method

1.5.13.4 Delays in Project Implementation

Audit Observation	Comments of the Accounting Officer	Recommendation
The work for 06 projects implemented across the 03 Executive Engineer offices of Kurunegala, Kuliyaipitiya, and Wariyapola, valued at Rs.195,546,662, had not been completed within the agreed period according to the contract, with completions showing delays ranging from 08 to 68 days. Furthermore, the work for 04 projects remained incomplete as at 26 February 2026. Due to delays in	The relevant contracting companies submitted reasons for their inability to implement the work schedules, and extensions of the time were granted upon consideration of those grounds and in instances where the reasons for such extensions were not reasonable damages have been recovered.	Action should be taken in accordance with the agreement. If acceptable reasons have been submitted for delays such as commencement of work or rainfall, action should be taken to include those details in the logbook and in the file containing information obtained from the Department of Meteorology.

commencing work and weaknesses of the contractor, it had not been possible to implement the projects within the time frame, however, extensions of time had been granted without reasonable grounds or evidence, and action had not been taken to recover the damages as per the agreement.

1.5.14 Head 243 - Department of Industrial Development - North Western Province

1.5.14.1 Transactions on Contentious Nature

Audit Observation	Comments of the Accounting Officer	Recommendation
The land plot of 03 Roods and 22.9 Perches situated the Walakumbura Textile Center, Janasalu Outlet, Athkam Piyasa, and Disna Clay Training Institute, which are operated by the North Western Province Department of Industrial Development in the Walakumbura area within the Alawwa Divisional Secretariat Division of Kurunegala District belongs to the Land Reform Commission (LRC). While the North Western Province Department of Industrial Development has continuously utilized this entire land area for over 46 years since 1979, a letter (Ref: KO/931) dated 25 September 2025, from the Kurunegala District Director of the LRC, confirmed that action had been taken by the LRC to alienate a 40 Perch area of this land to an external party under	It was observed that Plan No. 1773, dated 30 September 2025, prepared for the Land Reform Commission (LRC) Kurunegala, was incorrect as it demarcated Lot No. 02 with an extent of 01 Rood without including the building named 'Athkam Piyasa'. Joint plans have been formulated with the Wayamba Development Authority to promote tourism for more productive future utilization of the land and building. Accordingly, a request has been made to clear the title and transfer the total land area of 03 Roods and 22.8 Perches to this Department, which includes the 01 Rood land area of Lot No. 02 in the plan that has been long possessed by the Department.	Action must be taken to clear the title of the land and vested it to the Department.

Section 14 of the Land Reform Act No. 01 of 1972 as transfer within family, without notifying or obtaining the consent of the Department. It was observed that the current value of the 40 Perches earmarked for transfer to the external party exceeds LKR 24 million.

1.5.15 Head 252 - Department of Animal production and Health - North Western Province

1.5.15.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Out of the 27 official quarters owned by the Department, rent is currently collected from only 07 quarters that are in use, while 18 official quarters with an assessed value of Rs.46,367,918 have remained dilapidated and idle due to non-utilization for periods ranging from 02 to over 20 years	Action will be taken to repair and utilize the buildings based on the annual provisions received by the Department and by taking into consideration the official housing requirements of the Veterinary Officers.	Government property should not be allowed to deteriorate, and action should be taken to utilize all idle buildings.
(b) Out of the 43 land parcels shown in the fixed assets register as owned by the Department as at 31 December 2024, with a total assessed value of Rs.936,637,000, the ownership of 20 land parcels with a total assessed value of Rs.441,932,500 had not been vested with the Department	The relevant responsible Divisional Secretaries have been notified regarding the state lands that have not yet been vested with the Department, and those processes are currently underway.	Top management must intervene to ensure that land acquisition processes are carried out expeditiously.

1.5.16 Head 260 - Chief Secretariat - North Western Province

1.5.16.1 Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Although Revenue Accounting Officers are required to prepare their estimates as realistically and accurately as possible in accordance with Rule 41.1.4 under the Provincial Financial Rule 41 on the preparation and submission of annual revenue estimates, the difference between the initial revenue estimate for the year 2025 and the revised revenue estimate submitted on 26 December 2025, was LKR Rs.3,910,805,000, representing a very high variance of 45 percent. Due to this underestimation not being included in the Provincial Council's budget the programs that could have been implemented for the welfare of the public in the province were limited by that amount.	Revenue estimates are prepared based strictly on revenue that can be definitely recovered. There is no hindrance to utilizing these funds when formulating and implementing essential welfare programs for the public through supplementary estimates. Furthermore, even if these funds are not utilized for various programs within the same year of collection, they are utilized for programs in subsequent years.	Action must be taken to accurately estimate the revenue in the annual budget and prepare the expenditure estimates accordingly.

1.5.16.2 Vehicle Utilization

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
According to the information from the Department of Motor Traffic, 45 vehicles registered under the designation titles of the North Western Provincial Council are not available at the institutions under the Provincial Council. Furthermore, despite reports indicating that this includes misappropriated	Inquiries have been made from the Department of Motor Traffic to delete the vehicles from the data system of the Wayamba Department of Motor Traffic, and follow-up actions are currently being pursued accordingly.	Action must be taken in coordination with the Department of Motor Traffic to pursue appropriate measures regarding vehicles that are physically non-existent.

vehicles, action had not been taken to coordinate with the Department of Motor Traffic to update the relevant records.

1.5.17 Head 261 - Department of Internal Audit – North Western Province

1.5.17.1 Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
As at 31 December 2025 there were 20 vacancies in the post of Audit Officer within the Provincial Department of Internal Audit.	The Recruitment and Promotion for the post of Audit Officer in this Department received the approval of the Honorable Governor on 09 November 2022 and pending recruitment, internal audit activities are being carried out for the 20 approved Audit Officer positions in this Department through 20 Development Officers.	Action should be taken to expeditiously fill the vacancies in the post of Audit Officer.

1.5.18 Head 263 - Department of Provincial Revenue – North Western Province

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

Reference to Laws, Rules, Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
Section 104 (3) (b) of the North Western Province Finance Statute No. 08 of 1990	Although it had been specified that incentives could be paid to the officers of the Provincial Department of Revenue, incentives amounting to Rs.503,102 had been paid to non-Provincial Department of Revenue officers for the period from 01 January 2025, to 30 June 2025, upon the approval of the Governor.	As the Incentive Approval Committee directly contributes to directing the operations of the Department toward the set revenue targets, the payment of incentives to these 04 non-departmental officers does not pose an issue."	Action must be taken to execute payments strictly in accordance with the delegated authority

1.5.18.2 Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
Three positions of Valuer and one position of Tax Officer in the Department have been vacant since 2025 and these vacancies remained unfilled even as at the audited date of 13 February 2026. Out of the 325,544 deeds registered during the period from 2021 to 2025, the number of deeds examined by the Department was 29,662, which represents a very low percentage of 09 percent of the total registered deeds. The additional stamp duty revenue collected from the 09 percent of examined deeds amounted to Rs.764,000,000; accordingly, due to the inability to fill these vacant positions, the Provincial Council lost a substantial amount of revenue that could have been collected if the remaining 91 percent of unexamined deeds also been subjected to inspection.	Approval has been granted as per Cabinet Decision No. CP/26/0380/802/002-I dated 03 March 2026, to recruit 03 Valuers and a Tax Officer.	Action should be taken to fill the vacancies and enhance revenue collection operations

1.5.19 Head 264 - Provincial Treasury - North Western Province

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

Reference to Laws, Rules, Regulations	Non-compliance	Comments of the Accounting Officer	Recommendation
North Western Province Financial Rules No.183.1	Although every payment must be supported by a receipt obtained from the payee acknowledging the gross amount specified in	Action is being taken to release the outstanding receipts required for the release of stamp duties and court fines.	Action should be taken in accordance with Rule 183.1 of the North Western

the voucher, the Provincial Treasury had released Rs.451,965,231 in stamp duties and court fines to local authorities during the year 2025 without obtaining the corresponding acknowledgement receipts."

Province Financial Regulations.

1.5.19.2 Transactions of Contentious Nature

Audit Observation	Comments of the Accounting Officer	Recommendation
According to the 2025 financial performance reports of the Provincial Council, government capital grants amounted to Rs.7,237,342,266, out of which Rs.4,968,672,434 was adjusted in the financial performance statement as provincial investment expenditure. The remaining balance of Rs.2,268,669,832 had been transferred to the accumulated fund. Accordingly, the sum of Rs.2,268,669,832 received for capital expenditure was transferred to the accumulated fund without being utilized during the year.	Action will be taken to implement the relevant development projects within this year	Action must be taken to utilize grant funds within the stipulated time frame.

1.5.19.3 Management Weaknesses

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Governor's approval had been received regarding the manner in which vehicle revenue license incentives are distributed among	Action will be taken to pass a statute containing provisions on the issuance of vehicle revenue licenses and related matters once the Provincial Council is	Attention must be paid to the delegation of authority when making payments.

officers, the legal provisions established in the future. applicable to the payment of incentives (similar to how legal provisions have been established for the officers of the Provincial Department of Revenue via Section 104 (a) (3) (b) of the North Western Province Finance Statute No. 08 of 1990) had not been submitted for audit. Furthermore, while the value of incentives paid for the period from May to September 2025 amounted to Rs.1,728,413, action had not been taken to formulate a statute for that purpose.

1.5.20 Commercial Advance Account

1.5.20.1 Commercial Advance Account for the Maintenance of Handloom Textile Centers under Subject No. 24303 of the Department of Industrial Development, North Western Province

1.5.20.1.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Although a disciplinary inquiry should have been conducted under Subsection 27.11 of Chapter XLVIII of the Establishments Code regarding the financial fraud amounting to Rs.2,263,980 committed by the Officer-in-Charge of the Boyagane Janasalu Center as revealed by the board of survey for the year ended 31 December 2023 a period of more than 01 year had elapsed by the audited date of 31 July 2025 , even	Action will be taken expeditiously to recover the amount due to the government while initiating future disciplinary proceedings.	A preliminary investigation should be conducted, and action should be taken to recover the losses incurred by the government from the responsible officers.

though an investigating officer had been appointed action had not been taken to conduct a preliminary investigation and recover the losses incurred by the government.

1.5.20.2 Item No 25102 - Commercial Advance Account for the “Operation of Farms and Supply of Seed Paddy”

1.5.20.2.1 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
During the field inspection of the Galgamuwa Agricultural Farm conducted on 18 December 2025, a land area of 15.6 acres, which was also enclosed by an elephant fence, remained uncultivated.	At the time the audit field inspection was conducted, the harvesting of crops cultivated during that year had been completed, and no new cultivation could be commenced due to the period of heavy rainfall. An electric fence has been installed around the farm, which is intended to protect the existing cultivation fields from the wild elephant attack.	As a government farm, this must be cultivated in an exemplary manner for farmers while taking action to generate revenue for the government.

1.5.20.2.2 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
The Wariyapola Government Farm spans in 104 acres and though the land is mainly covered with coconut cultivation and fruit cultivation additionally, it was observed that a relatively large part of the land remains uncultivated. It was revealed that a shortage of workers and issues regarding water sources were the main causes of this situation. However, attention	The land area identified as uncultivated is used to grow grass species suitable for cattle farming, thereby it is used to provide food requirements of the cattle under a semi-free-range system. Due to the approved average day's pay for a contract worker is now Rs.1,748, new workers are reluctant to come and work in the farm. As priority should be given to essential daily routine works of the farm, ability of engaging in other cultivation activities is	Actions should be taken to set the necessary infrastructure facilities to develop this land as a model farm.

had not been paid to taking appropriate actions regarding this. limited. As the solution to the water supply issue, it has been proposed in year 2026 to construct a tank covering one hectare area under the five-year plan for development of the farm. It will help to settle this water supply issue.

1.5.20.3 Chief Secretary's Office “Wayamba Training college” Advance Account – 26002 North Western Province

1.5.20.3.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Although 32 years have elapsed since the establishment of the training Institute, no action had been taken to acquire ownership of the land where the Institute is located; Plot No.147 of Plan No. 2679 and Plot No.102 of F.V.Plan No. 2608.	Further actions will be carried out through the Wariyapola Divisional Secretary and necessary actions will be taken to expedite the process.	Necessary actions should be taken to acquire the land expediently.

1.5.21 Industrial Services Bureau – North Western Province

1.5.21.1 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

Reference to Non-compliance Laws, Rules Regulations etc.	Comments of the Accounting Officer	Recommendation	
State Enterprise Circulars No. 03/2024 dated 23 December 2024 and No. 02/2025 dated 02 December 2025.	If only all the State Corporation, Statutory Board and Government owned Company had paid at least 30% of profit after tax as dividend or levy to consolidated fund, its Officers are entitled to have the bonuses.	After identifying income and expenses as per the Bureau Statute on tax payment and the Sri Lanka Accounting Standards for Public Enterprises, the balance is identified as a surplus. However, we	Necessary actions should be taken to collect dividend levy from net profits, payable to the Provincial Treasury in accordance with State Enterprise Circulars No.03/2024 and

However, due to the failure of the North Western Provincial Council to issue circulars in compliance with the said circulars, Provincial Treasury had not been possible to collect taxes or dividends from the net profit of Rs.70,960,521 earned continuously from 2021 to 2024.

inquired for further information regarding tax payments from the Department of Inland Revenue via a telephone call but did not receive a reasonable answer.

02/2025.

1.5.21.2 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
In accordance with the Section 04 of Part 01 of the Industrial Services Bureau Statute No. 11 of 1990, out of the eight objectives defining as to be fulfilled by the Bureau, five had not been fulfilled at the present time.	As a self-financing entity that receives no funds from the General Treasury, it is essential to generate revenue to cover employee salaries and daily operational costs. However, while fulfilling these objectives, we were able to expand our services successfully beyond the Divisional level to the National level whenever possible.	Steps should be taken to achieve the objectives of the Organization.

1.5.21.3 Transactions of Contentious Nature

Audit Observation	Comments of the Accounting Officer	Recommendation
Two officers for the posts of Business Development Officer and Industry Development Officer had been recruited without obtaining the approval for the posts, while three Officers for the approved positions of Consultant and Accounts Assistant had been recruited	It is informed you that recruitment for both positions has been made on contract basis and that the associated expenses are borne by the Bureau's expenditure. Further, an assigned officer is essential to initiate and maintain projects for service expansion and regional business	Action should be taken to recruit the approved cadre in accordance with the approved recruitment procedure.

exceeding the approved cadre of the posts on contract basis and a total gross salary of Rs.3,366,588 had been paid them from 2024 to December 2025.

development activities which are vital for the organization's going concern and these two positions have already been included in the cadre revision planned to be made in the future.

1.5.22 Road Passenger Transport Authority – North Western Province

1.5.22.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) Despite the failure to formulate regulations for issuance, amendment, and formalization of ownership of the route permits, actions had been taken to issuing 24 new permits worth of Rs.32,462,195, amending 24 route permits worth of Rs.1,045,000, and formalize the ownership of 81 route permits worth of Rs.36,700,000 during the year 2025.	Provisions have been made to issuing, amendment and formalizing the ownership of route permits, under the powers and functions of the Provincial Road Passenger Transport Authority under the Section 18 of Part 11 of the North Western Provincial Council Road Passenger Transport Statute No. 07 of 2018. Action is currently being taken to refer the matter to the Legal Division, pursuant to No. 40(02)(b) of Part V.	Actions should be taken to promptly formulate regulations regarding the Sections of the Statute.
(b) In accordance with Paragraph 13.3 of Chapter II of the Establishments Code, an acting appointment should be made as a temporary measure only and until a substantive appointment is made. If the post continues to require the services of a full time officer, the substantive appointment should be made without delay. If, however, a full time officer is not required, the duties should be distributed	Interview panel conducted an interview to recruit for these posts and as the Honorable Governor has made a complaint regarding the results of recruitment for the posts of Deputy General Manager, Transport Management Assistant and Transport Manager, appointments cannot be made until a response is received from the Governor. The female officer who met the required qualifications for the post of	Action should be taken in accordance with the provisions of the Establishments Code.

among the other officers of the Department, no steps had been taken to appoint a suitable person to the post of Managing Director of the Authority on a permanent basis for ten years.

Accounting Officer has been appointed to acting in that position.

- (c) In accordance with Section 2(i) of the Inland Revenue Act No. 24 of 2017, although every person with taxable income is required to pay income tax at the rates specified in the First Schedule of the Act, the Authority had earned a profit of Rs.16,624,216 during the year under review but had not taken actions to pay income tax by calculating the taxable profit in accordance with Chapter II of the Act.
- Any of the transport authorities established in the provinces of Sri Lanka did not pay income tax on the profits earned within the year. However, information regarding paying income tax was obtained from those Provincial Transport Authorities and it was confirmed that none of them pays income tax on their annual profits.
- Actions should be made in compliance with the Inland Revenue Act and if there is an exemption from paying income tax, actions should be taken to obtain confirmation regarding this from the Department of Inland Revenue.
- (d) Although the Road Passenger Transport Authority held a balance of Rs.25,196,105 in three bank accounts as at 31 December 2025, no actions had been taken to manage the existing opportunity cost of the money by investing the surplus through identifying requirement of monthly institutional working capital in accordance with the action plan 2025. Due to this reason, the minimum monthly balances in two accounts at People's Bank exceeded Rs.12,000,000 and Rs.100,000 respectively throughout the year, while the minimum monthly balance in an account at the Bank of Ceylon exceeded Rs.100,000 throughout the year. When considering the published
- As it is required an amount of approximately Rs. 16.5 million to pay salary arrears in accordance with Circular No. 02/2016, surplus balances were maintained in the current accounts at People's Bank and the Bank of Ceylon. However, as the affairs in paying those salary arrears has been completed now, actions are taken to get approval from the Board of Directors to invest the surplus revenue in fixed deposits after balance the revenue and expenditure henceforth.
- Only the necessary amount of money should be kept in current accounts and rest should be invested efficiently.

monthly fixed deposit interest rate of 5.75% offered by state-owned commercial banks in 2025, the opportunity to earn approximately Rs.4,896,060 in interest income had been lost as the minimum monthly balances maintained continuously in the Authority's accounts throughout the year were kept in current accounts rather than being invested in fixed deposits.

1.5.22.2 Operational Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) By the end of the year under review, no action had been taken to recover monthly running chart fees amounting to Rs.12,350,000 and late payment charges amounting Rs.2,446,950 due to the Authority for the period from 2013 to 31 December 2025.	In accordance with the Board of Directors decision on write-off the outstanding balance dated 25 July 2025, actions are currently being taken to submit it to the Honorable Governor for approval. The National Transport Commission has informed the Board of Directors by the letter bearing no.NTC/OP/PA/18 /156 dated 13 January 2026 regarding the recovery of arrears of monthly running chart fees for inter-provincial buses and a decision will be given after that.	Necessary actions should be taken to recover outstanding revenue.
(b) By the end of the year under review, no action had been taken to recover or initiate appropriate measures regarding outstanding entrance ticket revenue amounting Rs.2,004,100 and late payment charges amounting Rs.342,800, applicable for the period from 2013 to 2025.	The National Transport Commission has informed the Board of Directors by the letter bearing no.NTC/OP/PA/18 /156 dated 13 January 2026 regarding the recovery of arrears of monthly entrance ticket fees for inter-provincial buses and a decision will be given after that.	Necessary actions should be taken to recover outstanding revenue.

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| (c) | During the year under review, steps had not been taken to recover outstanding revenue for extra turns amounting Rs.2,294,800 and late payment charges amounting Rs.658,100 applicable for the period from 2019 to 2022. | Taking the bus owner's request into consideration, as to avoid outstanding balances of extra turns are carried forward actions have been taken to issuing of an extra turn permit for a period of three months at once and it is planned to appoint a committee to writing-off the outstanding balance and to take further action based on the committee's recommendations. | Necessary actions should be taken to recover outstanding revenue. |
| (d) | The Driver Training School shown a loss of Rs.1,297,309 in year 2025. The reason to decline the revenue was due to 157 trainees had enrolled in the school in 2024 but only 85 trainees enrolled for training in 2025. | Lack of Instructors is a one of reason for this issue. Due to the currently allocated vehicles to the Driver Training School are approximately 25 years old and having frequent breakdowns, another issue has been arisen regarding the practical training for trainees, as they are required to waiting long period till repairing those. | Necessary steps should be taken to recruit Instructors and to increase the number of trainees. |

1.5.22.3 Idle and Under-utilized Assets

Audit Observation	Comments of the Accounting Officer	Recommendation
Although interviews had been conducted to recruit Driving Instructors in year 2025, it had not been possible to recruit for that position, due to no one with the qualifications stipulated in the recruitment procedure had been participated in that interview, even though they had the Driving Instructor License. Due to no steps had been taken to recruit a licensed Instructor, even by revising the recruitment procedure, a situation had been arisen as it had not possible to	Although newspaper advertisements were published and necessary steps were taken to recruit Driving Instructors, it was not possible to select during two rounds of interviews because the applicants did not meet the required educational qualifications stipulated in recruitment procedure. Consequently, the recruitment procedure is currently being revised, Plans has been made to provide heavy vehicle licenses. At present, arrangements have been	Necessary steps should be taken to recruit Driving Instructors, and to utilize the idle bus.

carry on the affairs of the Driver Training School. Even by the end of 2025, the bus purchased in 2006 with valuation of Rs.1,500,000 for training activities of the Driver Training School had been remained idle. made to rent these buses to various Institutes for special tours at concessionary rates.

1.5.23 Wayamba Development Authority

1.5.23.1 Activities Outside the Scope of the Objectives

Audit Observation	Comments of the Accounting Officer	Recommendation
Although 10 objectives stated from (a) to (j) under Paragraph 04 of Part I of the Wayamba Development Authority Statute No. 01 of 1993 of the Wayamba Provincial Council, the Authority, except of 2 objectives out of them, instead of fulfilling the remaining 8 objectives had been carried out a number of projects, such as conducting various training courses under the Wayamba Hotel School, supplying, installing, and maintaining software for Local Government Institutions, leasing out properties owned by the Authority and etc. However, they had not taken actions to amend the Statute of the Authority incorporating those programs into its objectives.	Though the drafts have been prepared to amend the Statute of the Wayamba Development Authority by aligning its objectives and functions with current requirements, it was not possible to proceed with the next steps as the Provincial Council is currently not in operation.	Steps should be taken to amend the objectives of the Authority's Statute to align with its current operations.

1.5.24 Human Resource Development Authority - North Western Province

1.5.24.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) In relation to the total amount of loans Rs.3,250,000 provided to individuals under the Apeksha Individual Loan Project with repayment periods of 3 and 5 years since 2008, there were an outstanding loan installment total of Rs.1,297,179 and an outstanding interest total of Rs.287,813 as at 31 March 2026 and the number of outstanding installments ranged from 02 to 57. The outstanding balances remained unrecovered by the end of the year under review and the Authority had not taken adequate actions to settle this even though the repayment periods of certain loans had been passed.	Actions have been taken to recover outstanding loan balances.	Actions should be expedited to recover outstanding loan installments and interest.
(b) In relation to the total amount of loans Rs.3,450,000 provided to 19 individuals by the Authority from year 2009 to 2023 under the Gaveshani Individual Loan Project, there were total of outstanding loan balance and interest amounting Rs.2,196,562 and outstanding installments ranged from 02 to 57 at the end of the year under review.	Arrangements have been made to recover individual loans from the salaries of the Guarantors and n it is being settled now.	Actions should be expedited to recover outstanding loan installments and interest.

1.5.25 Machinery and Equipment Authority – North Western Province

1.5.25.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) The outstanding balance receivable as at the end of the year under review comprising rental charges, repairing charges, service charges, and civil work charges, amounting Rs.66,869,546 and no action had been taken to settle or to initiate other appropriate measures to the outstanding loan balance of Rs. 10,071,548 which had been carried forward over five years.	Due to the difficulty in recovering old outstanding rental arrears totaling Rs.7,049,984.87, which have been pending for over 20 years, it has been decided to write off this amount against accumulated profits, in accordance with the request made by the Authority's Board of Directors and with the approval of the Deputy Chief Secretary.	Actions should be expedited to recover outstanding loan installments and interest.
(b) The approved cadre of the Authority related to nine other positions had been 53, while the actual cadre had been 22 as at 08 December 2025 and there were vacancies for 31 officers related to 9 positions.	Answers were not provided.	Necessary actions should be taken to expedite new recruitments for vacant positions by obtaining approval after considering the requirements.

1.5.25.2 Assets Management

Audit Observation	Comments of the Accounting Officer	Recommendation
The balance of tools and equipment amounted to Rs.28,705,629 at the end of the year under review. Although this balance included equipment valued at Rs.17,974,616 received under ADB grants, no step had been taken to assess and identify those assets	A portion of the equipment valued at Rs. 17 million received as ADB grants was identified and revalued in the year 2026, and the instructions have been given to identify and revalue the remaining equipment.	The proceedings should be made carry out a revaluation and identify the market value of the assets.

1.5.25.3 Vehicle Utilization

Audit Observation	Comments of the Accounting Officer	Recommendation
11 vehicles with a cost of Rs.7,275,000 and 04 machines with a cost of Rs.2,055,000 belonging to the Authority are in an unusable condition, and the steps had not been taken to auction or take appropriate measures regarding these vehicles and machines.	A committee has been appointed by the Authority to identify machines and vehicles that are unusable and economically ineffective to repair, and the proceedings will be made to dispose the said machines and vehicles within this year.	The actions should be taken to dispose the machines and vehicles in unusable condition.

1.5.25.4 Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
In accordance with Paragraph 13.3 of Chapter II of the Establishments Code, an appointment on acting basis should be made only as a temporary measure until a permanent appointment is made. If the services of a full-time officer are required for the post, the permanent appointment should be made without delay, and if a permanent officer is not required, the duties should be distributed among the other officers of the institution. However, the steps had not been taken to appoint a suitable person on a permanent basis to the post of Managing Director of the Authority since a period of 10 years.	The approval for recruitment to the post of Managing Director has been received by the letter dated 17 March 2026 from the Deputy Chief Secretary, and the necessary arrangements for recruitment are currently in progress.	The steps should be taken to recruit a permanent officer for the senior management level post.

1.5.26 Regional Resource Development Authority – North Western Province

1.5.26.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
(a) As per the Action Plan of the Authority for the year under review, it was planned to produce 18,000 banana plants and 100 ornamental and medicinal plants at the tissue culture laboratory, only 761 banana plants and 49 ornamental and other chili plants had been produced during the year. As at the date of audit; 05 January 2026, the tissue culture project had remained idle.	The 1,800 banana plants along with other plants included in the Action Plan 2025 were not the plants produced, but were the plants planned to be purchased from external entities and sold again. However, as purchasing and reselling from external entities was later seemed to be unprofitable and risky, the said process was also discontinued. Instead, chili cultivation was started within the existing greenhouse units and the yield has been harvested and sold.	The actions should be taken to accomplish the tasks planned according to the action plan.
(b) With regard to the achievement of the objectives and goals of the Statute of North Western Regional Resources Development Authority No.1 of 2001, no necessary action had been taken to fulfill 04 activities out of the activities specified in the paragraph 5 of said Statute.	About 15 awareness programs had been conducted on mangrove conservation, maintenance of the fisheries industry in sustainable manner and environment conservation about the matters such as students, teachers and parents in the province as well as residents related to lagoons within 2025 in cooperation with North Western Ministry of Agriculture and Fisheries. Furthermore, 10 programs on empowerment of fisheries women had been conducted.	The measures should be taken to fulfill the objectives and goals mentioned in the Statute.
(c) Though a person who can serve full time should be appointed as the Managing Director who is the Chief Executive Officer of the	It had been decided to appoint another officer as an acting appointment in the post of Managing Director of this	As per the section (23)1 of Statute of North Western Regional Resources Development Authority No.01

Authority by the Board of Directors as per the section (23)1 of Statute of North Western Regional Resources Development Authority No.01 of 2001, Deputy Director Planning of former Ministry of Agriculture had been appointed to the post of Managing Director (Acting) with effect from 01 June 2017 by Secretary of Ministry of Agriculture, Lands, Irrigation, Fisheries, Animal Production and Health and Agrarian Development. The Managing Director had obtained a transfer from the Ministry of Agriculture to Genewatta Divisional Secretariat (North Western) from 24 March 2025 and later he had attended to the duties in the substantive post as Planning Director in Pannala Divisional Secretariat. He had performed duties in the post of Managing Director (Acting) of Authority up to 25 May 2026.

of 2001, the Managing Director of the Authority should be appointed and the attention should be paid by the responsible officers pertaining to granting an acting appointment to an officer who serve full time in the central government in a provincial council institute.

1.5.27 Wayamba Janakala Foundation

1.5.27.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Even though an acting appointment should be made until making a permanent appointment as only a temporary remedy in terms of the section 13.3 of chapter II of the Establishments Code of Democratic Socialist Republic of Sri Lanka and 113 II of Chapter IX of Procedural Rules of North Western, the acting	Since a huge cost will be incurred for the recruitment from outside permanently for such posts, the acting appointments had been made for vacant staff officer posts of Wayaba Janakala Foundation as per the decision of Board of Directors of Wayaba Janakala Foundation.	The action should be taken to recruit a permanent officer for one post in staff grade except Assistant Director (Finance).

officers had been appointed for more than 20 years for 04 staff posts such as Managing Director, 02 Assistant Director posts and Administrative Officer of Janakala Foundation. 03 staff officers served as at 31 December 2025 had acted in the post from 03 years to 10 years.

1.5.27.2 Transactions of Contentious Nature

Audit Observation	Comments of the Accounting Officer	Recommendation
Janakala Restaurant had been leased since 01 September 2005 to a single lessee for over 20 years without any procurement work being carried out stating that the restaurant building was in a dilapidated condition. This restaurant, which faces Kandy Road in Kurunegala town, has been a popular restaurant for a long time and due to the lease being granted at the lowest assessed value without a formal inspection of the dilapidated condition and without an assessment of the need for renovation, the tax revenue that could have been earned over 20 years was Rs.20,140,038.	Revenue is being generated according to the decisions of the Board of Directors.	Actions should be taken to lease according to procurement procedures.

1.5.28 Early Childhood Education Development Authority - North Western Province

1.5.28.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
Although the Early Childhood Education Development Authority Charter No. 04 of 2003 and Section 01 of Schedule III of the Order No. 1395/25 dated June 03, 2005 issued	It was decided to issue a letter to all pre-schools informing them to complete their registration and then renew their registration every two years and to identify	Actions should be taken to regulate and supervise preschools operating in the Northwestern Province.

in relation thereto, early childhood education development institutions operating for children between the ages of 3 and 5 in the North Western Province are required to be registered, as of 17 February 2026, 615 out of the 2102 preschools operating in the North Western Province were operating in the North Western Province without registration. Supervisory and management decisions had not been taken by the Authority in this regard.

the actions to be taken against pre-schools that do not act accordingly.

1.5.28.2 Human Resource Management

Audit Observation	Comments of the Accounting Officer	Recommendation
As per paragraph 06 of the letter of the Director General of the Department of Management Services No. DMS/D/2/93/25/12 dated 14 August 2012, the recruitment and promotion procedures had not been approved even by 13 February 2026, which was the audited date.	Actions are taken to get those procedures approved as soon as possible.	Actions should be taken to get the recruitment procedures for approved posts approved.

1.5.29 Chief Minister's Fund – North Western Province

1.5.29.1 Performance

Audit Observation	Comments of the Accounting Officer	Recommendation
According to Section 06 of the North Western Province Chief Minister's Fund Statute No. 02 of 1990, the funds of the fund should be used for the relief of poverty in the North Western Province, the development of education or knowledge in the North Western	Since payments are made based on the manner in which applications are submitted to receive assistance from the Chief Minister's Fund, arrangements have been made to provide such assistance as requests for medical assistance have been submitted	Actions should be taken to use the funds for other functions specified in the charter.

Province, the promotion of religion in the North Western Province and for making a grant to those who have rendered service to the North Western Province or for any other purpose for the welfare or benefit of the people of the North Western Province. Although it was announced at the Chief Minister's Fund Management Committee held on 11 October 2024 that priority would be given to providing assistance for education and sports activities, any other activities had not been carried out during the year under review except for providing Rs.1,200,000 as medical assistance to 14 beneficiaries.

in accordance with the relevant criteria during the year under review.

1.5.30 Revolving Agriculture Entrepreneurship Development Fund under the Ministry of Agriculture - North Western Province

1.5.30.1 Operational Inefficiencies

Audit Observation

Although 611 loan applications had been issued in the year 2025 for farmers to carry out cultivation activities under the Agriculture Entrepreneurship Revolving Loan Fund of the North Western Provincial Ministry of Agriculture, the loans had been granted for only 271 of those applications. It indicates that 56% of applicants had not been proceeded to obtain loans from this revolving loan fund. Further, even if Rs.225.10 million had been allocated, only Rs. 102.135 million had been utilized. Accordingly, the project had failed to achieve 100% performance.

Comments of the Chief Accounting Officer

Out of the 611 beneficiaries approved by the Ministry of Agriculture in the year 2025, the loans amounting to Rs.102,135,000 were issued to 271 beneficiaries. The disbursement of these funds has continued into the year 2026, and the Regional Development Bank has been informed regarding the issuance of loans to eligible beneficiaries in the future.

The attention should be given on identifying the weaknesses existing within the banking system to achieve the objectives of the revolving fund.

1.5.31 Sustainable Irrigation Maintenance Fund - North Western Province

1.5.31.1 Non-Compliance with Laws, Rules, and Regulations

Reference to Laws, Rules, and Regulations	Non-Compliance	Comments of the Chief Accounting Officer	Recommendation
Section 35 (1) of Chapter III of the North Western Province Irrigation Statute No. 02 of 2014	Out of the Rs. 9,718,400 paid from the Irrigation Maintenance Fund during the year 2025, a quantity of 87% was paid by the Provincial Department of Irrigation to 546 Accounts belonging to other Farmer Organizations. Consequently, the permission from the Department of Agrarian Development had to be obtained to release these funds for irrigation maintenance resulting in delays in obtaining the maintenance funds. Even if the Statute specifies that the payments should be made to the Management Development Committees, only 83 such societies had been established in Kurunegala.	In order to correct the deficiencies caused by not making payments in compliance with Section 35 (1) of the Irrigation Statute, the steps are presently in progress in the year 2026 to establish Irrigation Management and Development Committees for all tanks under the sustainable maintenance program, and to open accounts in the name of the committees at a commercial bank.	The actions should not be taken in contrast to the provisions stated in the Statute.

1.5.32 “Wayamba Dhivara Saviya” Revolving Loan Fund - North Western Province

1.5.32.1 Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even if a sum of Rs.13,900,000 had been disbursed as loans to 22 beneficiaries during the year under	A loan amount of Rs.86,900,000 has been approved for 118 beneficiaries in the year 2025	As delays in loan disbursement occur due to delays within the banking

review, an amount nearly three folds of that value; Rs. 41,300,000, had been retained in the revolving fund as fixed deposits without being issued as loans to the beneficiaries. Consequently, these funds had been not utilized for the purpose of developing the projects of entrepreneurs engaged in fisheries and related industries, as specified in Rules 5 (I), (II), and (III) of the Revolving Fund Rules.

and forwarded to the banks. Out of these persons, 41 persons have received loans amounting to Rs.32,800,000 to date. Since it is difficult to complete the loan disbursement process for all applicants referred in the year 2025 by 31 December 2025, the funds have been retained in fixed deposits to minimize the financial depreciation until it is required to issue refinancing for these disbursements.

system, the proceedings should be made to direct and manage the banking system effectively to achieve the objectives for which the fund has been established.

- (b) Fisheries Saviya Revolving Loan Fund had been established in the fisheries sector in North Western in order to grant loans to the entrepreneurs engaged in the selected fisheries and allied industry under a concessionary interest by Ministry of Fisheries -North Western. Even though Rs.51,045,950 had existed as the equity of the Fund as the opening cumulative fund of Rs.5,436,169, Rs.30,000,000 received under Provincial Specified Development Fund and Rs.15,609,781 received under Revolving Loan Fund in the year under review for that, the loan amount granted in the year under review is Rs.13,900,000. Therefore, the granting of loans was in very low value of 27 percent of total fund and accordingly, the achievement of the objective of this Fund was not in a satisfactory level.

At the beginning of the year 2025, the opening debtors balance was Rs.13,436,277 and the closing debtors balance was Rs.20,151,633 with Rs.13,900,000 of granting loans within the year. It was 30 percent from the total equity of Rs. 66,653,617 at the end of year 2025. The necessary actions are being taken to increase this percentage by the fisheries sector presently.

The ministries as well as the banking system together take action to fulfill the objectives. The measures should be taken to directly mediate the management.

- (c) Even though the loans of Rs.86,900,000 had been approved to 118 beneficiaries by Fisheries Saviya Revolving Loan Fund in the year under review, a loan amount of Rs.11,700,000 of 18 beneficiaries had been only provided by Regional Development Bank in the year 2025. Accordingly, as the loan amount not provided as at 31 December by Regional Development Bank from the loan amount approved to 118 beneficiaries was Rs.75,200,000 i.e.87 percent, no proper methodology had been prepared with the bank for providing the loans immediately.
- A loan amount of Rs.21,100,000 for approved 23 debtors in the year 2025 from the loan amount not provided of Rs.75,200,000 had been issued to the beneficiaries by 31 March 2026 and the loan applications of about 70 percent of loan applicants belonging to balance of Rs.54,100,000 is in the process of obtaining loans. The co-ordination activities with bank are carried out by the fisheries sector at every incident required for other applicants to obtain loans except not obtaining the loans due to difficulties in finding guarantors, non-fulfillment of the criteria considered for granting loans by bank and other private reasons of applicants.
- Due to the weak functionality prevailing in the banking system used for granting loans to the beneficiaries, a long delay had occurred and the action should be taken by the ministry to prepare a suitable method for that.

1.5.33 Wayaba Diriya Housing Loan Scheme

1.5.33.1 Management Inefficiencies

Audit Observation	Comments of the Accounting Officer	Recommendation
In consideration the allocation of the benefits under Wayaba Diriya Loan Scheme which had obtained the approval dated 12 March 2021 of Governor, the Department of Housing is entitled to 3/8 (37.5 percent) and the bank is entitled to balance 5/8 (62.5 percent)) from the interest income received on refinancing facility invested by the department. However, as per the allocation of benefits mentioned in the Memorandum of Understanding signed on 10 December 2010, the	Since the concurrence of the bank had not been given for the amendment of the Memorandum of Understanding incidental to the set of rules approved pertaining to the “Wayaba Diriya” Loan Scheme, the situation pointed out by the audit had arisen owing to non-publication of the set of rules in the gazette notification.	The action should be taken to revise the Memorandum of Understanding incidentally to the set of rules approved.

interest of the investments of 60 percent invested by the Department of Housing should be allocated between State Mortgage and Investment Bank and Department of Housing to the ratio 6:2 .The rectifications on this matter had not been carried out so far. Accordingly, the profit lost in the preceding year and the years under review were Rs.870,595 and Rs.1,047,262 respectively.