

North Western Provincial Council - 2018

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 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act, No. 42 of 1987 and provisions of the National Audit Act No. 19 of 2018. The summary report in terms of section 23(2) of the Provincial Council Act and provisions in Sub-section 11(1) of the National Audit Act No. 19 of 2018 was issued on 31 May 2019 and the Detailed Management Audit Report in terms of Section 11(2) of the National Audit Act was issued on 26 July 2019. This report will be tabled in parliament in pursuance of provisions in Article 154(6) of the Constitution and sub section 10(1) of the National Audit Act.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the North Western Provincial Council as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conduct my audit in accordance with Sri Lanka Auditing Standard (SLAuSs). My responsibilities, under those standards are further described in 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 qualified opinion.

1.3 Responsibility of Management for the Financial Statements

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

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

As per Sub-section 16(1) of the National Audit Act Number 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.

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

My Objective is to obtain, responsible 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 report that includes my opinion. Responsible 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. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

1.5 Report on Other Legal And Regulatory Requirements

The financial statements presented by the Provincial Council is consistent with the preceding year as per the requirement of section 6 (i) (d) (iii) of the National Audit Act, No.19 of 2018.

1.6 Comments on Financial Statements

1.6.1 Accounting Deficiencies

Audit Observation

Even though the value of property, plant and equipment had been recorded as Rs.24,662,186,761 in the statement of financial position as at 31st December 2018, it was over recorded by Rs. 227,076,112 in the statement of financial position due to the value of property, plant and equipment was recorded as Rs.24,435,110,649 in the schedule.

Recommendation

The correct figures should be included in the financial statements by comparing the schedules.

Comment by the Chief Accounting Officer

In the statement of financial position the aggregate expenditure under each capital expenses subjects has been recorded as Rs.24,662,186,761. In most instances when each ministries at located provisions to the departments under them the capital expenditure is being accounted under the relevant provision allocated expenditure subject and the asset is accounted under the provisions made expenditure. To make it correct the even though it should have been recorded the expenditure subject where the provisions made should have been recorded as issue of that asset, and the expenditure subject which made the expense as obtaining of that asset, several ministries and departments have not been done it correctly. This difference has occurred due to this and inform that this process would be done correctly by next year.

1.6.2 Non-compliance

1.6.2.1 Non-compliance to the laws, rules, regulations and management decisions.

Ref. to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comment by the Chief Accounting Officer
(a) FR 571 of the Democratic Socialist Republic of Sri Lanka.	According to the time analysis of General Deposit Balances as at 31 st December 2018, There was a total sum of Rs.153,520,507 of non realized deposits relating to the ministry of Healthcare and indigenous medicine and 2 other departments.	Actions should be taken as per FR 571 with regard to the outdated deposits.	(i) Due to the non-completion of projects they have been with held until final decisions. (ii) It is kindly noticed that the records have been made to take actions with regard to the out dated balances of the general deposit account and those balances are being settled.
(b) North Western Financial Provincial Financial Rule 54.6	Regulations code - Actions had not been taken to collect the losses from the responsible persons by conducting basic investigations relating to the accidents occurred to 16 Vehicles of Health Care Institutions of Kurunegala District Health Service Director Office.	Action should be taken to submit the complete report by conducting the basic investigations immediately when vehicle accidents taken place.	The required officers have been appointed to do the basic investigations for these vehicles and had informed to submit the reports before 28 th June 2019
(c) The Establishment code of the Democratic Socialist Republic of Sri Lanka. Section 3(b) of the Circular of the secretary to the	The Provincial Administration department has taken actions to pay 80 percent i.e Rs.2,386,681 in	Since the activities should done as per the establishment code and the relevant circular steps should be	Answer will be provided after studying a copy of the Secretary to the Provincial Council Ministry dated 05

Provincial Ministry dated 05 June 1990 to be read in conjunction with the section 1 of the paragraph ix of the Establishment Code. 2013,2015 and 2018 to 22 officers who work in the Provincial Council and 20 percent was Credited to the provincial council fund from the money received for administration expenses since 2011 to 2017 without the approval of the governor and against the circular. taken to collect the money which has paid without any approval. June 1990.

2. Revenue Management

Audit Observation	Recommendation	Comment by the Chief Accounting Officer
(a) Actions had not been taken to provide the stamp charges of Rs.323,229,932 and court fines of Rs.150,896,239 which were collected as at the closing date in the year under review relating to 31 Local government bodies by the Chief Secretary Office.	Actions should be taken as soon as possible to provide the stamp charges and court fines to the relevant local governmental bodies.	These payments had been made to the local government institutions after obtaining the approval of the Provincial Chief Minister by the relevant local government institutions during the active period of the Provincial Council. Kindly stating that the cash was paid. for the cash request letters when the officer term of the provincial councils was over, on the approval of the governor based on the recommendation of the Commissioner of the Local Government Authorities.
(b) Actions had not been taken to collect the total sum of Rs.236,210,685 income receivables for 7 income codes as at 31 December 2018 by the Chief Secretary Officer, Provincial Revenue Department and Land Commissioner Department.	Proper actions should be taken to collect the income receivable.	Will present the answers by investigating into this matter later

- (c) Receivable income of Rs.58,171,390 relating to 3 income codes had been written off in the 2018. Estimations of income should be considered when writing off arrears income. Answers will be given after investigating in to this matter.
- (d) As at December 2018 arrears harvest tax and land tax relating to 14 Divisional Secretariat Offices amount to Rs.65,488,945. Proper actions should be taken when collecting arrears taxes. Answers will be given after investigating in to this matter.

03 Financial Review

3.1 Financial results

As per the submitted financial statements for the year ended 31 December 2018, there was a Rs.274,433,543 deficit and a surplus of Rs.2,072,313,658 in the provincial council fund.

04 Ordinance Accounts, Funds Accounts/ Commercial Advance Accounts and Other Advance Account

4.1 Ordinance accounts/ Fund Accounts.

(a) North Western Provincial Early Childhood Education Development Authority

Audit Observation	Recommendation	Comments by the chief Accounting officer
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<p>Out of 2,238 government and private nurseries established in the North Western Province as per the section 4(2) of the Early Childhood Education Development Authority Ordinance No 04 of 2003,903 nurseries had not been registered and 720 out of them were under the supervision of Early Childhood Education Department Authority.</p>	<p>Actions should be taken to register all the nurseries under the Early Childhood Authority Ordinance and in contravention to the Ordinance.</p>	<p>Actions had been taken to register all the nurseries as per the ABCD Classification before 31 May 2020 according to the temporary registration Programme which was Commenced in May 2018.</p>

North Western Human Recourses Development Authority

(b) Audit Observation	Recommendation	Comments by the Chief Accounting Officer
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I Action had been taken to pay Rs. 352,000 to the Ayurvedic hospital on 21 August 2018 by the Human Resource Development Authority in relation to cutting of sandalwood tree on 14 April 2013 in the Kurunegala D.B.Welagedara Ayurvedic Hospital land without collecting from the security guard.	Actions should be taken to reimburse the relevant loss from the authorized officers by conducting a proper investigation.	This payment had to be paid as per the instructions of the chief secretary due to the inability of collecting this money from the security guards who were in service on that day.
II There was a non-collected loan installments and interest balance of Rs.10,194,983 exceeding 7 years out of the circular loans given by the Human Resource Development Authority.	Required to take proper procedures to collect the due loan balances.	There are overdue loan balances relating to the loans provided by this institution and even though it has an installment shortage on economic difficulties, actions will be taken to collect part by part.
 (c) Wayamba Industrial Services Bureau		
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Audit Observation	Recommendation	Comments by the Chief Accounting Officer
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5.74 acres out of 12 acres and 3 roods in the Heraliyawala Industrial Zone had been sold to 4 enterprises and the ownership of the remaining part was with the Board of Investment Actions had not been taken to take over those land plots to the Industrial Services Bureau.	Proper justifications on the ownership of those remaining lands of the Industrial Zone and proper justifications relating to the sale of government lands on freehold should be presented for the audit.	The ownership of 12 acres and roods 3 of the industrial zone is still with the Bureau It is difficult to take over the lands directly due to the limitation of land powers to the Provincial Council. The Board of Investment signs the agreements due to the availability of obtaining bank loans to the businessmen. 5.74 acres had been sold freehold based on the agreement formed with 4 enterprises.

(d) Wayamba Development Authority

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
I Actions had not been taken to collect the total receivables of Rs.11,089,042 from 11 debtors as at the end of the year under review.	Actions should be taken to collect all the due receivables from the debtors.	Will take actions to collect the possible cash amount out of Rs. 11,089,042 and to discuss with the Audit and Management committee regarding the balance amount.
II Actions had not been taken to settle total payable sum of Rs.9,320,083 for 08 creditors as at the end of the year under review.	Actions should be taken to settle all the creditors balances.	Rs.2,649,404 cash has completely been paid for 27 creditors and the balance payments have been done partially There are cash for the finished provincial specific development grants continuation in the remaining balance of Rs.9,320,083. Will notice that all the payments be done after receiving the money.
III The Madurankuliya Travel Information and Facility Centre constructed by spending Rs.12,618,363 without proper feasibility study and planning was in active level for over 2 years without any usage.	Actions should be taken to commence the operational activities of travel facility centre as soon as possible.	The investor who has obtained the Madurankuliya Travel Information and Facility Centre on lease has agreed to commence the operations after completing the constructions.
IV The computer lab with computer accessories established by spending Rs.3,000,000 was idle.	Actions should be taken to implement the training sessions by the authority.	The student of the hotel school will be get participated. The computer lab is in inactive stage at the moment.

(e) Cooperative Department Fund

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
I A systematic methodology had not been implemented to collect the loans of Rs.68,971,575 given by 64 cooperative societies, even though they have been delayed.	A systematic methodology should be followed to collect the loans.	The outdated loans have been grouped as active societies, inactive societies and dissolute societies. Actions had been taken to inform the active societies and the statutory process is being carrying out with regard to inactive and dissolved societies. The loan balance will be collected after those function over.
II Actions had not been taken to collect the receivable subscription of Rs.100,209,014 to the fund from the North Western Provincial Cooperative department as at 31 December 2018.	Actions should be taken to collect the societies, subscription to the cooperative fund properly.	Actions will be taken to collect the cooperative development fund subscription prior to offering the statutory approval for all the multipurpose cooperative societies and actions had been taken to pay the fund subscription when amending the rules.
III Even though there is a Rs.10,500,000 fixed deposit balance in the crucial account, actions had not been taken to release the cash to the relevant cooperative societies.	Actions should be taken to release the cash in the crucial account to the relevant societies.	A Rs.10,500,000 cash surplus and the interest for fixed deposits in the crucial current account has been invested as fixed deposits in the Kuliyaipitiya Peoples' Bank. These cash will not be released to the societies and actions had been taken to Credit to the Cooperative Fund in the future.

(f) Wayaba Janakala Foundation

Audit Observation-----
Recommendation-----
Comments by the Chief
Accounting Officer

A total salary of Rs.1,248,912 had been paid for the year under review by giving the appointments on fulltime acting basis without fulfilling the vacancies relating to the Managing Director 2 no of Assistant Director posts and Administration officer posts.

The permanent officers should be appointed for vacant posts.

The are 2 no of assistant director posts according to the recruitment procedure of Wayaba Janakala Foundation Mr.J.A.Jagath Kumara has been appointed to the post of Administration and Cultural affairs for a period of 3 years since 04.12.2013 to 03.12.2016 as per the recruitment procedure approved by the governor to fulfill the aims of the foundation ordinance. He has been recruited to the post of Assistant Director (cultural affairs) by the Board of Directors since 03.12.2017 since he has a better knowledge about esthetic subjects. A supervision allowance of Rs.454,908 has been paid to him based on the Director Board approval. The duties relating to the above mentioned administration post has been assigned for the post of Assistant Director (finance) Mr.D.M.T.K. Dissanayake who is a graduate in Business Administration has been appointed to the above post with his experience. Single supervision allowance is being paid by considering as a single post of Assistant Director (Finance and administration)

(g) Wayamba Machinay Authority

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
The total sum of receivable balances relating to rental charges, vehicle repair charges service center charges and civil work charges as at the end of the year under review was Rs. 72,303,791 and there was a total non settled loan balance of Rs. 18,120,261 in that balance since over 5 years. Actions had not been taken to collect all the balances.	Action should be taken to collect those long term overdue loan balances.	I accept that observation.

(h) Wayamba Housing and Construction Development Fund.

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
Even though a Rs.6,000,000 given by the Department of Housing and Construction to fulfil the duty of the fund and a Rs.1,000,000 given on the basis of Cooperatives were included in the surplus of Rs.8,775,912 in the year under review, these cash had not been utilized for any project relating to the aims of the fund.	The grants should be utilized to fulfill the aims of the fund.	Although plans had been prepared to fulfill the aims of the Housing and Construction Development Fund, this situation shown by the audit has been incurred due to the reasons occurred out of our control.

(i) Wayamba Chief Minister's Fund

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
Any amount of money had not been spent during the year under review to provide relief for the poverty or to improve	Actions should be taken in accordance with the provisions of the chief Minister's Fund Ordinance.	The aims of the fund as per the Chief Minister's Fund Ordinance are in compliance with the criterion stated in the audit.

education or intelligence or for the upliftment of religion and to maintain the religious activities in the North Western Province even though that cash should have been used for the above mentioned activities as per the paragraph 6 of North Western Provincial Chief Minister's Fund Ordinance No 02 of 1990.

Thus, the sports and other public welfare grants are being maintained under the Ministry of Public Welfare and Sports Chief Minister's Fund is the one and only fund to provide relief for the public who are facing financial difficulties when giving solutions for the dangerous type of surgeries and Non – communicable deceases.

(j) North Western Provincial Cooperative Employees' Pension Fund

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
<p>An agreement of Rs.672,000 was made with the North Western Training Centre in the year 2010 to prepare a program for the computerization of the information including transactions of the proposed pensions system. Even though Rs. 168,000 had been paid as an advance in 2010, this program has not been prepared by the end of 2018 and actions had not been taken to recover the advance amount.</p>	<p>Actions should be taken to implement the relevant computer program properly.</p>	<p>The basic information of the subscribers have been completely entered for the computer program and the information for the receipt of subscriptions for the year 2019 is been entering. The program has been getting ready to implement since January 2020 after entering the data by the end of the year 2019.</p>

4.2 Commercial Advance Account

The Commercial Advance Account on the establishment and Administration of Industrial Work Stations including the supply of raw materials of the Department of Textiles.

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
<p>The debtor balance as at 31 December 2018 was Rs.22,873,011 and Rs.8,689,094 out of them was relating to period of 7 years to 18 years. All those debtor balances had not been recovered yet.</p>	<p>Action should be taken to collect these loan balances immediately and the provincial treasury instructions should be obtained in relation to the long lasting non - recovered loan balance of Rs.8,619,878.</p>	<p>It has been mentioned to finish the loan balance by identifying the loan balance of Rs 69,216 under the name of Textile Department - Kurunegala</p>

5. Operational review

5.1 Performance

5.1.1 Government grants

Information relating to utilization of provisions which had been given for Provincial Council Development Task Proposal is given below.

<u>Source</u>	<u>Amount Approved</u>	<u>Amount Spent</u>	<u>Under Utilized</u>
	Rs.Mn	Rs.Mn	Rs.Mn
(a) Provincial Specific Development Grants.	2,345.20	2,324.85	20.35
(b) Criteria Bases Grant	258.00	256.18	1.82
(c) Special Unit Development Project (Education)	75.46	75.46	-
(d) Special Unit Development Project Grants (Health)	324.80	250.33	74.47
	<u>3,003.46</u>	<u>2,906.82</u>	<u>96.64</u>

5.2 Management Inefficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments by the Chief Accounting Officer</u>
(a) Even though a proposal had been made to purchase vein viewer scan machine in 2017 to treat the Thelesimia patients by stating that nearly 950 persons are sending to the treatments to the Thelesimia Unit, that machine had not been purchased yet and a Rs. 1,945,758 cash had been retained in the general deposit account for many years without utilizing to any task.	The thelesimia patient should be treated by purchasing the machine as soon as possible.	A letter has been sent to the North Western Provincial Director of Health Services to submit a project report for the prevention of Thalesemia in the North Western Province by using this money. Kindly stating that I have informed the Health Services Director to submit a project report at the Health and Management Committee of the Ministry held on 11 June 2019 and to release that money to the North Western Provincial Director of Health Services for the prevention

of Thalesemia decease after obtaining that report.

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| (b) | A Rs. 18,697,553 money had been spent for the construction of Central Provincial war heroes statue which has been started in 2017 and a Rs.7,088,328 has been spent for the opening ceremony held on 11 May 2018 under the criteria based development grants. The money spent on opening the statue was 38 percent from the expenditure spent for the construction of that statue | The authorized officers should pay attention on the productivity and the cost when making expenses. | The approval has been given by the Board of Ministers to spend the expenses relating to this ceremony. |
| (c) | 8 air condition machines out of 9 air condition machines fixed for the protection of the quality of medicine stored in the Divisional Pharmaceutical stores which supplies drugs to all the health care institutions in the Kurunegala District. | Actions should be taken to air condition to whole stores to secure the quality of pharmaceuticals. | Actions had been taken to repair all the idle air condition machines in the main pharmaceuticals stores. |
| (d) | 14 vehicles of District Health Services Director Office which had been approved to remove in 2018 are parked in the office premises and they are being deteriorized due to the natural reasons. | Actions should be taken to remove these vehicles as soon as possible. | The information relating to identified 14 non usable vehicles since 2015 identified for removed has been sent twice to Provincial Health Services Director. |
| (e) | The special investigation project started by pending Rs. 825,000 for the purchase of 1650 mosquito larva traps to minimize the mosquito breeding in the year 2017 by the Chief Ministry was unsuccessful and that money was useless expense. | Actions should be taken to make the project active by correcting the technical errors on corporation. | Actions should be taken in the future on the support of the Health Ministry for the investigations of the technical errors in the mosquito larva traps by correcting them since this is a pilot project and to check whether they are in usable conditions to implement. |

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| (f) Actions had not been taken to transfer 33 lands to the department where the hospitals and dispensaries of the Provincial Department of Indigenous. | The transferring activities should be done immediately. | The transferring activities of the lands to the Provincial Departments of Indigenous where the hospitals and central dispensaries are situated. |
| (g) There was a total sum of Rs.44,311,446 non settled employee loan balances due to the transferring, dead, resigned, retired and other reasons of 26 enterprises including the ministries, chief secretary's office Department and Divisional Secretariate officers of the Provincial Council. | Actions should be taken to recover the loan balances as per Circular No 118 of the Director General of the National Budget dated 11 October 2014. | I accept that the loan balance due from transferred employees should be recovered within 3 months. stating that several loan balances couldn't been recovered due to the non-availability of relevant information and the long term loan balances due to special reasons It was very difficult to collect those loan balances due to the mismatch with the balance although letters have been sent to those People in Several times. |
| (h) Actions had not been taken to settle the total sum of loan balances Rs. 25,092,756 relating to the officers who were transferred to 8 enterprises including ministries, departments and divisional secretariat offices in the North Western Province. | Actions should be taken to settle the loan balances as per the Circular No 118 of the Director General of the National Budget dated 11 October 2014 | The loan confirmation letters have been sent to the relevant enterprises to justify the loan balances for the settlement of loans. Kindly inform that there is a problem when settling the mismatch of Loan balances and future actions will be taken by correcting them. |
| (I) It was disclosed by the investigation board report dated 02 July 2018 that there was a shortage of Rs. 810,169 worth of drugs and a surplus of Rs.19,943 worth of drugs in the pharmaceutical stores in the Mundalama District hospital. | The required steps should be taken with regard to these pharmaceutical shortages and surpluses. | Will answer later by investigating in to this mater. |
| (j) Although a Rs.7,500,000 was estimated under the Provincial Specific Development Grants | Actions should be taken to implement the project efficiently according to the | The project has been implement by getting the relevant provision after |

to prepare an Information technology. System for the Road Passenger Transport Authority, a feasibility report has not been presented for that project and a Rs. 1,500,000 has been paid only for consultancy fee.

consultancy to evaluate. The progress by getting the feedback of the functions of the project

informing financial commission in 2018 as per a decision taken cooperatively by investigating the feasibility of implementing such project. The module has been prepared according to the contact and handed over to the authority and a letter has been sent to the authority to check whether the project is being implemented properly.

- (k) A Rs .468,725 has been spent during the year under review for two training sessions conducted under the capacity development training programme by the Ministry of Road , Transportation , Housing and Construction Industries and Rural Development Affairs. Even though there were 690 officers in the Ministry and the Developments under it, only 52 persons for one session and 61 persons for the other session have been participated for those sessions.

The training session should be held to fulfill the overall objectives.

I will take actions to make them all to participate for the training programs by giving the priority even though it is a practically difficult task to conduct training programs by connecting all the 690 officers in the Ministry and relevant Departments.

5.3 Operational Inefficiencies.

----- Audit Observation -----	----- Recommendation -----	----- Comments by the Chief Accounting Officer -----
(a) There was a shortage of 14 types of drugs. Required regularly for the treatment of patients from one month to 192 months period and the OPD patients had to purchase 24 types of drugs from the private pharmacies due to the non-availability of those medicines in the Pharmacy. In the Madampe Indigenous Hospital.	Actions should be taken to provide the regularly required drugs to the patients without any shortage.	There are incapable instances to fulfill the drug requirements as it is in all the Ayurvedic hospitals and central dispensaries due to the delay in receiving the drugs to us even though several types of drugs have been requested from the Pharmaceutical Corporation, non-receipt of those drugs in requested amounts, and

purchase of those drugs on the prevailing limited provisions.

The patient treatment tasks have been continuously maintained by substituting the drugs in those hospitals.

Stating that “ Jayathilaka rasaya” and “ Divyangana thailaya” are not being used at present.

- (b) The value 49 types of Pharmaceuticals expired stock of 88 types of pharmaceuticals In the Mundalama district hospital had been written off from the books in 2018 and the value of that not presented the prices relating to the stock of 49 types of drugs was Rs. 634,213.
The authorized officers had not taken actions to minimize the wastage by giving those drugs for the required hospitals before expirations.
- The wastage should be minimized by providing those drugs to the hospitals who need them before expiration.
- I will present the answers later by investigating in to this matter.
- (C) There were 439 expired pharmaceuticals ununits worth of Rs. 9,694,079 and 124 quality failed pharmaceutical units worth of Rs.2,600,204 in 48 enterprises of the Kurunegala district health service director office as at 31 December 2018.
- Actions should be taken to provide the pharmaceuticals to the other required hospitals before expiration and to follow a systematic stock controlling system.
- The pharmacist had been informed to avoid the Expiration of Pharmaceuticals in the future and actions had been taken to remove the expired drugs in several enterprises including base hospitals.
- (d) Rs. 7.6 million had been given under the provincial specific development grants for the increase of expecting coves and Rs. 6,607,430 has been spent as at the year 2018. The cattle sheds had not been made as planned by the end of the year under review and any of the animals was not ready to sell.
- The tasks of the project should be implemented properly to fulfill the objectives of the project.
- The purchasing of calves had to be postponed until the end of the year 2017 until preparing a place due to the non-availability of a place in the farm to nature and holding by purchasing the animals as per the project. Stating that the animals couldn't be purchased due to the consumption of more time

- to select contractors to build up cattle sheds by calling the tenders.
- (e) A Rs. 8,906,482 provisions have been allocated in 2017 for the Development of Infrastructure Facilities in small and medium scale milk farms and a Rs. 8,374,882 has been spent for that. It has been observed that the production of milk has not been increased on the physical verification with regard to 55 beneficiaries who were given Rs. 2,631,935 i.e 50 percent government subscriptions under the project and the young farmers have not been engaged in cattle farming. Even though provisions have been given for the construction of cattle sheds and for the milking equipment 5 no of milking equipments and 3 cattle sheds constructed for the 8 beneficiaries in 6 agriculture service centers by spending Rs.417,500 were not it use.
- The necessary actions should be taken to get the contribution of the given equipments and cattle sheds for the economic development immediately.
- The equipment and the cattle's sheds were unable to use due to the personal problems, diseases, weaning and being expectance.
- (f) Even though it has planned to provide Rs. 40,000 each to 75 persons from the Rs. 3,000,000 provisions for the granting of housing aids "niwahana" to all the divisional secretariat areas in the north central province under the PSDG, the full amount of grant could not be given to the people due to the selection of 138 beneficiaries without any basis. Only 16 persons could be given the full amount of grants and part was given to all the other persons.
- A sufficient amount of grants should be given to complete a part of work for the improvement of living standards of the beneficiaries.
- The annual activity plan is being prepared based on the approved provisions. Kindly notice that the situation shown by the audit has been occurred due to the non-receipt of imprest in due time as expected and the delay due to the submission of the progress of construction activities by the beneficiaries who received the grants on first term and the benefits had to be given to most people who have fulfilled the requirements and criteria with the applications.

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| (g) | Non availability of Sufficient Chemical Facilities in the health care service offices situated in the risky areas, non-provision of sufficient grants to prevent kidney diseases and the non –receipts of provisions at the beginning of the year non availability of pure drinking water and sanitary facilities in the schools situated in the district and non-availability of sufficient infrastructure facilities in the Polpithigama District Hospital where there are more number of kidney patients have influenced for the maintenance of kidney disease prevention activities spread in the Kurunegala district. | Action should be taken immediately to improve the infrastructure facilities and the human resources of health care enterprises situated in risky areas. | The requests have been made in 2018 and 2019 to obtain the required provisions from the national unit of prevention of kidney disease to purchase the equipments. |
| (n) | 1178 student failed out of 3,664 students who have faced for the G.C.E (A/L) examination in the year 2017 in schools under chilaw education zone. The overall percentage of failures in the Chilaw educational zone who faced G.C.E.(O/L) examination in 2017 was 35 percent and in Arachchikattuwa division, the falling percentage was over 50 percent. | A systematic program should be implemented to minimize the failing percentage. | The failing percentage in 2016 was 39 percent and it has reduced by 7 percent in 2017. |

5.4 Weaknesses in Contract Administration.

Audit Observation

Recommendation

Comments by the Chief Accounting Officer

An estimate worth of Rs. 2,495,396 has been prepared for the construction of Rideegama – Kotuhena community center by

The relevant department projects should be given for the public usage by completing the work in compliance with

I accept it

the North Western Department of Engineering under the Provisions of Provincial Department of Housing and Construction. The Construction activities have been stopped as at January 2019 by completing only 19 percent from total work.

the plans after allocating the provisions.

5.5 Implementation of Project

5.5.1 Commencement of Project in the land/ property that could not assigned by a manner of formal

The legal ownership of inspected 9 Hela Bojunhala has not been taken over even though a obtaining suitable place for the bojunhal and the legal ownership should be taken over for 5 years.

Actions should be taken to take over the legal ownership with regards with regard to those lands.

Actions are been taking to take over the ownership of the lands where the hela bojunhal are being conducted.

5.6 Assets Management

5.6.1 Idle/ Underutilize Assets.

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
(a) 38 quarters belongs to base hospitals, divisional hospitals, health care offices, and the primary medical treatment units belongs to district health services director office have been idling at the end of the year under review.	Actions should be taken to hand over those idling quarters by repairing them	Have been planned to repair these quarters on priority and as per the provisions.
(b) The "Neelabemma holiday resort" constructed in 2014 in the Kaluwalagasweva Divisional Secretariat Area by spending Rs.5,000,000 have been in idle manner since the year of construction and the weekly fair building constructed in 2014 by spending Rs. 10,000,000 and Rs.3,000,000 have been in idle manner for 1 to 2 years.	Actions should be taken to utilize the weekly fair buildings.	Actions have been taking to rent out the Neelabemma holiday resort and the weekly fair is in that manner due to the non arrival of traders to that place.

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| (c) | There were Rs. 1,139,607 worth of non-used thread stocks in different kinds in the janasalu centers of textile department. | Actions should be taken with regards to the officers who have collected the stocks unnecessarily | Those stocks of thread has been purchased to produce Sunday school sarees and they are in the stores due to non-receipt of the order |
| (d) | Even though a building for hela bojunchala has been conducted by spending Rs. 808,830 in 2016 in the Wariyapola Government Farm area and by Providing Electricity and Rs. 796,112 worth of equipments, it has been closed as at November 2018. | The idle assists should be utilized for the economic development. | This bojunchala has been closed due to the increase of maintenances cost and non-receipt of the expected income from this. |

5.7 Staff Administration.

5.7.1 Staff of the Provincial Council Establishment (except education and health)

Audit Observation	Recommendation	Comments by the Chief Accounting Officer	
(a)	Due to the non-implementation of a proper transferring methodology, 56 officers including cooperative supervisors of department of cooperatives have been attached to the Kuliypitiya Assistant Commissioner's Office from 6 to 30 years period.	Other officers who are living in that area should be given the opportunity to work in those officers by implementing a proper transferring methodology	Kindly notice that their service is obtained by changing the cooperative societies audited by them annually even though transfers had not been given to the supervisors of the Cooperative Societies out of the Division.
(b)	The chief secretary office has recruited 36 retired employees on contract basis to keep the duties relating to the approved 14 vacant posts in the north central province.	The recruitments should be done in accordance with the recruitment procedures.	The retired persons had to be recruited due to the non-availability of qualified applicants according to the qualifications mentioned in the recruitment procedures.

5.7.2 Educational Staff.

Audit Observation	Recommendation	Comments by the Chief Accounting Officer
(a) The appointments of 24 teachers in 5 zonal offices have not been made permanent based on various reasons and even though 28 years has passed for the appointment of several teachers permanency had not been done,	Attention should be paid to do the human resource management functions efficiently and systematically.	(i) Failed to find the personal file of the officers of Giriulla Zonal Office. I'm noticing that the answers will be the presented later by searching from the Mahawa, Kuliypitiya and Nikaweratiya zonal offices.
(b) In accordance with the paragraph 3.2 in the circular no 2007/20 dated 13 December 2007 of the Secretary to the Ministry of Education, it had been revealed at the sample checking that there were 1,475 teachers working in the same school from 7 to 34 years in 4 educational zone even though the maximum service period of teachers in most convenience schools was 6 years.	Action should be taken in accordance with the circular no 2007/20 dated 13 December 2007 of the Secretary to the Ministry of Education.	(i) 32 Teachers in the Giriulla zonal office have been transferred and, actions had been taken as per the circular with regard to 65 teachers due to the exceeding of 55 years of age. Expecting to transfer 201 teachers in the coming year. (ii) I'm informing that the answers will be presented later by investigating from the Mahawa, Kuliypitiya and Nikaweratiya zonal offices.
(c) In accordance with the section 2.5.1 of the paragraph v of the establishment code, even though a post held by an employee in the government service should not be released to another service for more than 2 years' time period, 24 teachers relating to 4 educational zones in the north western province had not been reported to the teacher service again after completing 2 year	Action should be taken in accordance with the section 2.5.1 of paragraph v of the establishment code.	(i) The relevant authorized officers have been informed and future actions will be taken as per their instructions informing that salary relating to 3 will be reimbursed. (ii) I'm stating that the answers will be presented later by investigating from the Mahawa, Nikaweratiya

time period by releasing for active service of the voluntary forces in the tri forces. Also a total sum of Rs. 61,136,131 salary had been paid for those 24 teachers by the North Western Department of Education since 1993 to 2019.

and Kuliypitiya zonal offices.

- (d) Due to the attachment of 449 teachers in 8 educational zones in the North Western Province as teachers instructors, vacancies have been incurred in the schools for those subjects and those vacancies could not be filled since those vacancies were belong to the permanent staff or those relevant schools.

Teacher instructors should work without any interruption to the teaching process since those appointments are not a systematic appointment.

I accept that the information provided by the audit is correct. But the appointments and establishments of teachers' instructions are done by the provincial department. Noticing that their service is not approved in the management department and only an attachment can be done and their permanent service place would be school.

5.8 Procurement

5.8.1 Procurement Plan

	Comments by the Chief Accounting Officer	Comments by the Chief Accounting Officer	Comments by the Chief Accounting Officer
(a)	The major procurement plan which states the expected procurement tasks for 3 years had not been prepared by the Chief Secretary's office even though it should be prepared in accordance with the section 4.2.1(a) of the Procurement Guideline.	A Procurement plan should be prepared for 3 year time period in accordance with the Procurement guideline.	The Procurement plan for the Chief Secretaries office has been prepared only for one year since previous year until now kindly inform that the Procurement plan will be prepared for 3 years in the future.
(b)	The Procurement plan which should be prepared in accordance with 4.2(c) in the Procurement guideline had not been prepared by Giriulla, Kuliypitoiya, Nikaweratiya and Mahawa zonal	Action should be taken in accordance with the 4.2(c) of Procurement guideline.	Giriulla zonal office has taken actions to prepare the Procurement plan by the year 2019. Noticing that answers will be presented after investigating the Mahawa, Nikaweratiya and Kuliypitiya

educational office for the year 2018.

Zonal Office.

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| (c) | Even though Rs. 13,000,000 has been allocated from the annual estimate in the year under review for the ministry of roads, transportation, housing and construction and rural development affaires as suppliers and services, Procurement activities had not been included in to the Procurement plan. | A Procurement plan should be prepared for all the capital development projects allocated from the annual estimate. | Will present the answers later by investigating relating to this. |
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5.8.2 Work Supplies and Services.

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Accounting Officer | Comments by the Chief
Accounting Officer | Comments by the Chief
Accounting Officer | |
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| (a) | Even though a Performance Security not less than 5 percent from the contract money should be maintained in accordance with the contract conditions 4.4 of clause 31 bidding document I.T.B and 5.4.8 of the Procurement guideline to protect the Procurement subject it the contractors violate the contract agreement, Kurunegala rural engineering office has extended the contract period of 9 contractors without extending the performance securities. | Actions should be taken in accordance with the contract condition 4.4 clause 31 of bidding document I.T,B and 5.4.8 of the Procurement guideline. | Answers will be presented regarding this later. |
| (b) | In accordance with the letter number PFE/PMD/CLA/02/OVI.ii of the state finance department dated 16 February 2016 and 5.4.4 of the Procurement guideline, maximum amount of 20 percent could be paid as advance from the contract money relating to the | Actions should be taken in accordance with the 5.4.4 of the Procurement guideline and the letter no PFD/PMD/CLA/02/VO1.ii of the Director General of State Finance Department dated 16 February 2016. | Answers will be presented in the future after looking into that matter. |

construction of 4 storied class room building with computer unit in the K/St Anne's Maha Vidyalaya and the construction of technological building of Giri/ Wennoruwa maha vidyalaya , a Rs. 5,185,275 and Rs. 5,900,097 cash had been paid respectively to the contractors as advances of 30 percent by exceeding that amount.

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| (c) | The retention money of Rs.5,783,934 had not been held at the contract payments relating to 5 schools against the section 5.4.6 of the Procurement guideline. | Actions should be taken in accordance with the section 5.4.6 of the Procurement Guideline. | Answer will be presented in the future after the investigations. |
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6. Accountability and Good Governance.

 Observations on Non - Settled Audit Paragraphs.

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Accounting Officer
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| (a) As per the decision of the Provincial COPA conducted on 16 March 2017, even though a Rs. 1,480,000 money should be collected from the authorized officers in the North Western Industrial Services Bureau within 3 months, a Rs. 231,667 cash have to be further collected as at 31 December 2018, due to the collection of money only from the relevant supplier. | Action should be taken in accordance with the orders of the COPA. | Accept that a delay has been occurred. The reason for this delay is that it is impossible to pay a large amount of money within short period |

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| <p>(b) The advance money of Rs. 7,038,211 given before more years for the maintenance of Viskam Niwasa as a major advance activity under the Chief Ministry had been in the accounts as a brought forward balance as at the end of the year under review as a non-settle expenditure balance.</p> | <p>Actions should be taken to settle this advance money of Rs. 7,038,211 or to write off these balances shown In the treasury accounts.</p> | <p>Stating that there are no cash balances to be settled in cash due to the settlement of the overall balance by spending all the imprest received in the relevant years from the general cash book. The records relating to the transactions took place in 1993 could not find until now and expecting to present the relevant records to the treasury due to the non-occurrence of a financial misuse or other financial errors.</p> |
| <p>(c) Due to not taking proper actions with regard to the financial correction of Rs. 13,609,655 occurred in the Giriulla Zonal Education office during the period of 2007 to 2010, that value could not been recovered.</p> | <p>Actions should be taken to recover the total sum of Rs.13,609,655 from the parties relating to that financial corruption.</p> | <p>Information have been handed over to the Attorney General Department after conducting the investigations by the chief secretary office with regards to the Financial Corruption about Rs.13,609,655 Occurred in total Zonal Office.</p> |
| <p>(d) Instructions given at the provincial COPA held on 27 September 2018 to recover the money of Rs. 566,673 spent from the council fund for the Vietnam tour from 7 to 16 August 2012 by 4 local governmental authorities in Kurunegala district noncompliance with the instructions of the Financial and Planning Ministries circulars 01/2010/01 dated 11 October 2010 had not been implemented as at 10 May 2019.</p> | <p>The administrative steps should be taken for the non-implementation of the COPA recommendations by relevant officials.</p> | <p>Discussions have been held with regard to the Vietnam tours at the audit and management committee meeting on 04 April 2019 further stating that even though the chairmen and officers who have participated for that tour had been informed to deposit the excess money they have obtained in the General Deposits Account of the Department of local Governments, that cash had not been returned yet.</p> |

6.2 Sustainable Developments of Goals.

Comments by the Chief Accounting Officer

A proper plan had not been prepared by the north western

Comments by the Chief Accounting Officer

Actions should be taken to implement the plans in order

Comments by the Chief Accounting Officer

Answers will be given after investigating in to this matter.

provincial council with regard to the attainment of sustainable goals and objectives of the United Nations to be implemented since 2019 to 2023 and actions had not been taken to include the provisions to fulfill the sustainable goals when preparing the budget estimate in the year 2019.

to achieve the sustainable goals and objectives.