

Northern Provincial Council - 2014

The audit of financial statements of the Northern Provincial Council for the year ended 31 December 2014 comprising the statement of financial position as at 31 December 2014 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act, No. 42 of 1987. This report is issued in terms of Section 23(2) of the Provincial Councils Act.

1.2. Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Accepted Accounting Principles and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3. Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 - 1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Northern Provincial Council’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Northern Provincial Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

1.4. Basis for Qualified Opinion

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

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the Northern Provincial Council as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Presentation of Financial Statements for Audit

(i). Financial Statements of the Provincial Council Fund

The financial statement of the Provincial Council Fund for the year under review was presented for audit on 24 March 2015.

(ii). Presentation of other Financial Statements

(a). Progress relating to the presentation of other financial statements of the Provincial Council for the year under review as at 31 March 2015 is given below.

Type of Account	Total Number of Accounts	Number of Accounts presented	Number of Accounts not presented as at 31 March 2015
(i) Appropriation Accounts	36	36	-
(ii) Revenue Accounts	01	01	-
(iii) Advances to Provincial Public Officers Accounts	36	33	03
(iv) Commercial Advance Accounts	04	03	01
(v) Fund Account	01	01	-
	78	74	04
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(b). Consolidated arrears of Revenue Account of the Northern Province for the years 2013 and 2014 had not been submitted to audit even up to 31 September 2015 in terms of PFR 145.

- (c). Revenue Accounts for each Revenue heads had not been prepared and rendered for audit separately.

2.2.2 Comments on Appropriation Accounts

Repeated common lapses such as non-utilization of provisions fully or partly, incurring expenditure without provision in the Annual Estimates, omission of outstanding liabilities in the accounts, recurrent expenditure being charged to capital expenditure and vice-versa, non-mention of details of capital expenditure, lack of adequate and satisfactory explanations for the savings and non-reconciliation of departmental books with Provincial Treasury books were observed in the Appropriation Accounts rendered in respect of certain Provincial Ministries and Departments for the year under review too.

The following deficiencies were observed during the course of audit on the appropriation accounts of the Provincial Ministries and Departments for the year under review.

- (i). Provisions made under several object codes had not been fully or partly utilized by various Provincial Ministries and Departments due to the expenditure estimates had been prepared on an ad-hoc basis.
- (ii). Non-compliance with Provincial Treasury instructions given for the preparation and presentation of the Appropriation Accounts.
- (iii). Independent confirmations had not been obtained for liabilities amounting to Rs.83,361,186 relating to telephone bills, postal charges, fuel, electricity, etc.
- (iv). Action had not been taken for over ten years on losses aggregating Rs. 15,589,699 shown in respect of 13 items of three Departments.
- (v). Expenditure amounting to Rs. 461,847,051 had been incurred under 28 Heads of expenditure without creating new object codes.
- (vi). The capital expenditure amounting to Rs. 11,817,968 incurred under 135 items under capital improvement of various Provincial Ministries and Departments had been erroneously classified under recurrent expenditure.
- (vii). As per Boards of Survey reports for the year under review, large numbers of assets were reported as missing during the year under review. However most of the Departments had not included these losses in their Appropriation Accounts and preliminary reports and final reports on losses in terms of Provincial Financial Rule No. 69 had not been furnished by those Departments.
- (viii). As per Board of Survey reports 16 items had been lost. However action had not been taken to disclose those losses in the Appropriation Account by 01 Ministry and 03 Departments.

2.2.3 Advances to Public Officers Accounts

The following observations are made.

- (i). The reconciliation statements prepared by the Department of Health included unidentified balances amounting to Rs. 3,792,174.
- (ii). The reconciliation statements prepared by the Department of Education included adjusted balances amounting to Rs. 1,371,875.
- (iii). The reconciliation statements prepared by the Office of the Regional Directorate of Health Services, Jaffna included outstanding balances of Kilinochchi and Mullaitivu amounting to Rs.3,792,174.
- (iv). It was not possible to ascertain as to whether the debit balance of Rs. 28,000,309 shown in the financial statements in respect of unsettled loans due from 04 Ministries and 19 Departments, reflects the actual realizable amount as confirmations for the debit balances were not made available for audit.

2.2.4 Commercial Advance Accounts

The following observations are made.

- (i). Provision for depreciation had not been made in the financial statements by the Machinery Unit for the year under review in respect of fixed assets valued at Rs. 212,349,022
- (ii). Contributed capital valued at Rs. 212,349,022 had been brought to account by Machinery Unit without any supporting documents such as fixed assets register and receipt orders.
- (iii). The fixed assets amounting to Rs. 175,244,729 had not represented by an equal amount in the contributed capital by two Farms.
- (iv). Cattle feeds and Chick mash had been purchased at higher prices over the market price. As a result a sum of Rs. 80,510 had been over paid.
- (v). Out of the four advance account activities functioned in the Provincial Council, balances of three advance accounts activities had not been brought to the financial statements.
- (vi). 03 vehicles donated by Food and Agricultural Organization (FAO) had not been valued and brought to the financial statements by the Government Seed Production Farm, Vavuniya.
- (vii). Arrears of assessment tax amounting to Rs. 104,102 had not been brought to financial statements by the Government Seed Production Farm, Vavuniya.
- (viii). Income generated from pappaya trees, lemon trees and other plants had not been valued and brought to financial statements by the Government Seed Production Farm, Vavuniya.

- (ix). Income generated from textile, coir and pottery had not been valued and brought to financial statements by the Department of Industries.

2.2.5 Imprest Accounts

- (i). Imprest balances aggregating Rs. 5,855,800 had remained unsettled by the Department of Local Government and the Department of Health Services up to 31 August 2015. In this regard, action had not been taken to recover the outstanding imprest from the respective Institutions.
- (ii). Reasons for not settling the imprest balances had not been given in Note (iii) of the Appropriation Account.

2.2.6 General Deposits Accounts

The following observations are made.

- (i). List of lapsed deposits had not been prepared at the end of each half year in terms of FR 571.
- (ii). A sum of Rs. 685,562 received during the year under review as unpaid salary, contribution for widows and orphans pension, unrealized cheques, insurance claims, bank remittances, loan recoveries, penalty charges and unpaid house rent had been kept in the deposits accounts of two Ministries and five Departments without action being taken.
- (iii). Payee Tax, stamp duty and Value Added Tax amounting to Rs. 1,979,364 had been kept in the deposits accounts of two Departments without being remitted to the relevant Institutions.
- (iv). Funds aggregating Rs. 133,725,218 received for various purposes by two Ministries and fourteen Departments had been kept in the deposits account without being utilized for the intended purposes.
- (v). Retention money, individual deposits of two Ministries and six Departments for Diploma in English and project funds aggregating Rs.14,527,719 had been kept in the deposits account for over 2 years without action being taken in terms of Financial Regulation 571.
- (vi). A sum of Rs. 7.5 million had been kept in the deposits account of the Governor's Secretariat for over 03 years. However value of acquired land had been transferred to the deposits account of the Chief Secretary on 22 February 2013 as the land owner was reluctant to sell her property to the Provincial Council.
- (vii). Tender deposits of three Departments amounting to Rs. 715,450 had been kept in the deposits accounts for over 6 months without action being taken.

- (viii). Difference of Rs. 503,782 shown between the closing balances of the Department books and the Treasury books of the Office of the Regional Director of Health Services, Mullaitivu had not been explained.
- (ix). Sums totaling Rs. 348,854,926 had been transferred by one Ministry and five Departments to the General Deposits Account without being obtained Treasury approval in terms of Provincial Financial Regulation 162.

2.2.7 Accounting Deficiencies

Assets aggregating Rs. 5,108.58 million shown in the Appropriation Accounts of 05 Ministries and 28 Departments had not been brought to the Financial Statements of the Provincial Council.

2.2.8 Accounts Receivable and Payable

(i). Accounts Receivable

- (a). Action had not been taken to recover the loan balances aggregating Rs.33,195,148 due from the officers who were transferred out of the Provincial Ministries and Departments to other Provincial Ministries and Departments, retired, deceased, released to projects, gone abroad on no pay leave, vacated posts and interdicted.
- (b). Sums aggregating Rs. 51,939,866 had been shown as accounts receivable as at 31 December 2014 in the Financial Statements of 34 Local Authorities of five districts.
- (c). Action had not been taken by the Machinery Unit operated by the Department of Road Development in respect of debtors aggregating Rs. 5,312,585 remained unrecovered during the year under review.

(ii). Accounts Payable

- (a). It was not possible to ascertain as to whether the credit balance of Rs.5,715,270 shown in the financial statements in respect of Advances to Public Officers that had to be settled to 08 Departments reflects the actual realizable amount, as confirmations for the credit balances were not made available for audit.
- (b). Sums aggregating Rs. 334,934,251 had been shown as sundry creditors in the financial statements of 34 Local Authorities of five districts as at 31 December 2014.

2.2.9 Lack of Evidence for Audit

- (i). 2,162 items in the accounts relating to 05 Ministries and 28 Departments aggregating Rs.674,435,063 could not be satisfactorily vouched in audit due to non-availability of

required evidence such as bills, receipts, Mechanical Engineer's certificates, goods received notes, participants lists, receiver's signatures, cash receipts, original bills, invoices, inventory certificates, work completion certificates etc.

(ii). Evidence had not been furnished for audit in respect of 59 items in the accounts of Advance Account Activities aggregating Rs. 18,447,359 relating to 04 Institutions.

(iii). Submission of Information to Audit

(a). A sum of Rs. 27.5 million had been released to the Security Forces Head Quarters by the Zonal Directors of Education of five districts and Provincial Treasury for the scholarship programme for under privileged children during the previous year. However, the documentary evidences for utilization of funds by the under privileged children development programme had not been made available for audit.

(b). Details of the beneficiaries were not made available in respect of six combine harvester procured at a cost of Rs. 25,470,000 in January 2014, to the Post-Conflict Emergency Assistance for Livelihood Restoration of Resettled Internally Displaced People in the North Project.

(c). Information called from the Provincial Department of Education with regard to several workshops and seminars conducted at a cost of Rs. 149.68 million had not been furnished for audit.

(d). Details such as basis of appointment, list of duties, monthly payment, consultancy work done, attendance and date of recruitment were not furnished for audit with regard to the appointment of the Legal Consultant although called for.

(e). Transactions valued at Rs. 1,289,880,842 could not be satisfactorily vouched in audit due to unavailability of information required for audit in respect of 34 Local Authorities in five districts.

(f). Although several vehicles belonging to the Provincial Council had met with accidents during the year under review and previous years, the particulars of such accidents and other details were not furnished to audit even though called for.

(g). Details of vehicles attached to the Governor's Secretariat and expenditure incurred on fuel and vehicle maintenance were not furnished for audit examination although called for.

(h). Appointments, absorptions, confirmations, transfers and several numbers of contract appointments were made by the Provincial Public Service Commission during the year under review. However the minutes of committee meetings of the Provincial Public Service Commission had not been rendered for audit examination even though called for.

- (i). Details of Value Added Tax paid to the suppliers and contractors by the Ministries and Departments had not been furnished for audit even though called for.
- (j). Details of beneficiaries to whom the sarongs, towels, exercise books and bed sheets aggregating Rs. 3.76 million provided by the Ministry of Agriculture for the year under review had not been rendered to audit.

(iv). Unanswered Audit Queries

Replies to twelve audit queries issued during the year under review had not been furnished up to 31 August 2015 and the value of quantifiable transactions relating to those audit queries amounted to Rs.153,645,331. Details are shown below.

Ministry/ Department	No of Audit Queries	Amount Rs.
Provincial Ministry of Education	03	63,878,435
Provincial Ministry of Agriculture	01	291,420
Provincial Department of Education	04	49,391,003
Provincial Department of Sports	02	21,731,764
Provincial Department of Animal Production and Health	02	18,352,709
	12	153,645,331

2.2.10 Non-compliance with Laws, Rules, Regulations, etc

- (i). Instances of non-compliance with the provisions in laws, rules and regulations observed during the course of audit test checks are analyzed below.

Reference to Laws, Rules and Regulations	Value	Non-compliance
	Rs.	
(a). Establishments Code of the Government of Sri Lanka		
(i) Section 1.3 of Chapter XIV	103,186	Hotel charges had been paid by the Governor's Secretariat from the Provincial Fund. In this connection evidence to verify for official or private visits could not be obtained from the Governor's Secretariat to verify whether these visits were official or private.

(ii) Section 2.1 of Chapter XLVII	9,000	Governor’s Secretariat had purchased red wine during the year under review.
(b). Financial Rules of the Northern Province		
(i) P.F.R. No. 106	12,360,470	Payments had been made by two Ministries and seven Departments without being obtained approval from the relevant authorities.
(ii) P.F.R. No.107	1,261,351	The payments of Rs. 1,261,351 had not been certified by the certifying officers of four Departments.
(iii) P.F.R. 166	335,416	Expenditure of Rs. 335,416 incurred in last year had been made by the Provincial Council Secretariat and Machinery Unit of the Department of Road Development without authority being obtained.
(iv) P.F.R. 187.2 (2)	75,000	Paid vouchers had not been rendered to audit by Zonal Education Office, Kilinochchi.
(v) P.F.R. 415 (1)		- Most of the Departments had not maintained register of telephones and register of telephone calls.
(vi) P.F.R. 420 (1) (v) (xiii)	8,467,600	Monthly rent had been paid by two Ministries and five Departments for the office buildings without obtaining valuation reports from the Valuation Department.
(vii) P.F.R. 420 (1) (X)	510,000	Advance payment for the office building had been made by the Provincial Ministry of Agriculture by exceeding the prescribed limits.
(c). Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
(i) F.R. 110		- Register of losses and damages had not been maintained by several Ministries and Departments.

(ii) F.R. 137	121,370	03 payment vouchers of the North East Local Services Improvement Project (NELSIP) had not been approved.
(iii) F.R. 138	119,893,181	07 paid vouchers of North East Local Services Improvement Project (NELSIP) had not been certified by the certifying officer.
(iv) F.R. 214		- A Register of Liabilities had not been maintained by several Ministries and Departments.
(v) F.R. 510	1,286,038	The net profit of Livestock Farm and Machinery Unit for the year under review had not been credited to revenue during the year under review.
(vi) F.R. 1646 and 1647		- Daily vehicle running charts had not been properly maintained by several Ministries and Departments
(d). Public Administration Circulars -----		
(i) No. 41/90 of 10 October 1990		- (i) The fuel consumption of vehicles had not been tested in every six months and noted in the vehicle log book. (ii) Certification from the Mechanical Engineer had not been obtained prior to making payments for repairs.
(ii) No. 13/2008 of 26 June 2008	288,072	(i) Fuel allowances had been paid by the Ministry of Agriculture contrary to the circular.
	331,704	(ii) Pool vehicles had been utilized by the Secretary to the Ministry of Education in addition to fuel allowance paid to him for the assigned vehicle.
(iii) No. 30/2008 of 31 December 2008	1,531,890	Regional Directorate of Health Services, Kilinochchi, Vavuniya, Mannar and General Hospital Vavuniya had granted distress loans contrary to the maximum loan amount limit of Rs. 250,000.

(e). Treasury Circulars

(i) No. 842 of 19 December 1978 and No. 1A1/2002/02 of 28 November 2002

- (i) A Register of Fixed Assets on Computers, Accessories and Software had not been maintained by several Ministries and Departments.

61,517,143 (ii) A separate Register of Fixed Assets had not been maintained to verify the physical existence of the fixed assets procured by the Local Level Nutrition Interventions to Improve Nutrition in Northern Province (JSDF) Project.

(ii) No. 01/2004 of 24 February 2004.

- The Performance Reports for the year under review had not been presented on the due dates by 04 Ministries and 25 Departments.

(f). Public Finance Circulars

No. 446 of 01 September 2010

93,172 Telephone charges had been paid by three Ministries and seven Departments during the year under review contrary to the circular instructions.

(g). Stamp duty(amended) Act No. 12 of 2006 dated 01 January 2008

14,050 Payments had been made by 3 Ministries and 12 Departments without stamp duties being recovered.

(h). Employees Provident Fund Act No.15 of 1958.

- Salaries amounting to Rs. 5,475,861 had been paid by two Farms and one Industry to ad hoc labourers. But, EPF and ETF contributions had not been made.

(ii). Non-compliance with Tax Requirements

(a). Details of Value Added Tax paid to the suppliers and contractors by the Ministries and Departments had not been furnished for audit in terms of Public Finance Circular No. 364(3) of 30 September 2002 even though called for.

(b). The Provincial Treasury had not made separate provisions in the Annual Estimates for Value Added Tax in terms of Section 01 of the Public Finance Circular No 364(3) of 30 September 2002. Therefore, the Provincial Treasury could not compute the Value Added Tax paid by various institutions of the Provincial Council to outside parties. As a result, considerable amounts had been paid by the Provincial Council from the capital allocation as VAT without provision in the Annual Estimates.

- (c). PAYE tax on the salary of the Private Secretary of the Governor had not been deducted for seven months even though monthly salary of Rs. 106,200 had been paid to her during the year under review.
- (iii). Implementation of Establishment Matters contrary to the Policies of the Central Government

According to the Circular No. PD/BP/9 dated 01 June 1999 issued by the Ministry of Provincial Councils and Local Government, the implementation of establishment matters of the officers of the Provincial Public Service should as far as possible be in accordance with the procedures relating to the officers in the corresponding posts of the Public Service.

Instances of non-compliance with that provision are given below.

- (a). 26 nos. of buildings had been taken on rent basis by the Provincial Council for official purposes since January 2011 without following proper procurement procedure and a sum of Rs. 25 million approximately had been paid as rent during the years 2011 to 2014. In this regard, valuation had not been obtained from the Chief Valuer of the Valuation Department.
- (b). Only a monthly rent of Rs. 500 had been recovered from the Secretaries who had occupied these houses contrary to the provisions of the Establishments Code. These houses were fully furnished with household items to the value of over Rs. 250,000 (approximately) per Secretary and electricity and water bills of those houses also had been paid from the Provincial Council Funds. Action had not been taken in terms of Section 5:3 of Chapter XIX of the Establishments Code to recover rent from the Secretaries for occupation of rented houses and the electricity and water bills have to be settled by them.
- (c). Although cadres for Regional Commissioners were approved in the year 2013, at the time of the elected Provincial Council had not been established, the duties of the Regional Commissioners had been carried out by re-employed non Sri Lanka Administrative Service Officers appointed as Regional Commissioners on contract basis to Kilinochchi, Jaffna, Vavuniya and Mullaitivu. In this connection a sum of Rs. 9,095,424 had been paid as salaries and allowances to them in addition to the vehicle maintenance, fuel and other office maintenance expenditure contrary to Public Administration Circular No. 9/2007 dated 11 May 2011. Further performance/ duties performed by the Regional Commissioners were not made available for audit.

3. Revenue Management

According to the information made available for audit, the total income collected during the past five years are given below.

Particulars	For the year ended 31 December				
	2014	2013	2012	2011	2010
	Rs. Million	Rs. Million	Rs. Million	Rs. Million	Rs. Million
Tax Income	1,754.66	1,410.33	1,532.01	1,228.77	77.21
Non Tax income	111.80	121.88	116.68	84.00	77.98
Total	1,866.46	1,532.21	1,648.69	1,312.77	155.19

The following observations are made in this regard.

- (i). Revenue from liquor licence fees for the year 2014 had not been estimated in the Annual Budget of the Provincial Council and the revenue collected from liquor licence had not been brought to the Financial Statements.
- (ii). In terms of the provisions of the 13th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka, revenue such as rent on Government Quarters, interest on advance accounts, vehicle licence fees and stamp duties etc. amounting to Rs. 1,866,461,659 had been taken into the Funds of the Provincial Council in the absence of Statutes passed by the Provincial Council.
- (iii). Reasons for shortfall in revenue collection by Rs. 621,386,791 during the year under review between the estimated revenue and the net revenue collected had not been furnished to audit.
- (iv). Arrears of income from 01 Municipal Council, 05 Urban Councils and 28 Pradeshiya Sabhas of the Northern Province totaling Rs. 1,270,711,372 from the major sources of income such as rates, tax, rents, and lease had remained unrecovered up to 31 December 2014. Details are given below.

District	No of Local Authorities	Arrears of Revenue Rs.
Jaffna	17	1,021,510,604
Mullaitivu	04	43,809,393
Kilinochchi	03	24,385,685
Vavuniya	05	82,639,500
Mannar	05	98,366,190
	34	1,270,711,372

(v). Court Fines and Stamp Duty

Sums aggregating Rs. 948,275,350 collected by the Provincial Council relating to fines imposed by the courts in terms of statutory provisions and the stamp duties imposed relating to transfer of properties had been retained in the savings account of the Provincial Department of Revenue up to 31 December 2014 without being remitted to the relevant Local Authorities. Details are given below.

District	Arrears of Stamp Duty Rs.	Arrears of Court Fines Rs.
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Jaffna	768,755,626	30,190,369
Mullaitivu	749,000	25,833,708
Kilinochchi	8,460,585	2,591,367
Vavuniya	15,623,590	21,218,143
Mannar	73,119,492	1,733,470
Total	866,708,293	81,567,057
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(vi). Collections from Officers of the Provincial Council for Provision of Transport Facilities

Staff transport facilities are provided by the Provincial Council to the officers. However collection of revenue from the Officers were not made as per the rate fixed by the Sri Lanka Transport Board. In this connection four buses had been engaged to Local Service at a cost of Rs. 6.3 million and three buses had been engaged to out of district transport services at a cost of Rs.6.1 million. However the revenue of Rs. 3.2 million collected from the officers for transport services was 26% of the total expenditure. Therefore it was observed that the transport services were not properly planned and managed by the revenue officers.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the operations of the Provincial Council for the year under review had resulted in a surplus of Rs. 356,635,921 as compared with the surplus of Rs. 94,044,004 for the preceding year, thus indicating an improvement of Rs.262,591,917 in the financial results. Increase in Government Grants by Rs.2,248,104,465 and taxable revenue by Rs. 344,330,899 as compared with the preceding year had mainly attributed for improvement in the financial results.

4.2 Analytical Financial Review

Total expenditure of the Provincial Council for the year under review was Rs. 15,892 million and out of this, a sum of Rs. 13,925 million had been incurred for recurrent expenditure and it represented 88 per cent of the total expenditure. Out of the total recurrent expenditure, a sum of Rs. 10,642 million had been incurred for personal emoluments and it represented 76 per cent of the total recurrent expenditure and the corresponding recurrent expenditure for the preceding year amounted to Rs. 12,002 million and it represented 88 per cent of total expenditure for that year.

4.3 Structured Financial Review

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

Revenue	2014			2013		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
Revenue Items	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
Taxable and Non – Taxable Revenue	1,949	1,866	(83)	2,088	1,532	(556)
Government Grants	14,647	14,382	(265)	12,653	12,134	519
	16,596	16,248	(348)	14,741	13,666	(37)
Expenditure	Budget	Actual	Variance	Budget	Actual	Variance
Recurrent expenditure	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million	Rs. million
Personal Emoluments	10,788	10,642	146	10,085	9,317	768
Others	3,803	3,283	520	2,798	2,685	113
Sub Total	14,591	13,925	666	12,883	12,002	881
Capital Expenditure	2,005	1,967	38	1,858	1,570	288
Grant Total	16,596	15,892	704	14,741	13,572	1,169

5. Operating Review

5.1 Performance

The following observations are made.

(i). Arrears of revenue under the motor vehicle revenue licence had not been ascertained and brought to the financial statements

(ii). Unutilized Provisions

The entire provision aggregating Rs. 784,291,612 under 34 Heads of Expenditure made in the Budgeted Financial Statements for the year under review had not been utilized for the intended purposes due to budget proposals had been prepared without considering budget guidelines, Provincial Financial Rules and provincial needs as mentioned in the guidelines of Finance Commission.

(iii). Supplementary provisions amounting to Rs. 11,011,251 obtained under 12 Heads during the year under review had not been utilized for the intended purposes.

(iv). Unauthorized Expenditure

Capital expenditure aggregating Rs. 116,716,302 had been incurred by 14 institutions without provision and expenditure had been regularized at the end of the year through surcharge account.

5.2 Operating Inefficiencies

45 children homes are functioned in five districts of the Northern Province. However no action had been taken on 14 unregistered children homes which are functioned without registration.

5.3 Transactions of Contentious Nature

The following observations are made

(i). A Legal Consultant had been appointed on contract basis at a salary of Rs. 50,000 per month for the Governor's Secretariat even though he is eligible for SL-1 salary scale as per cadre approval. Hence, a sum of Rs. 324,780 had been over paid to him. Further it was observed that the appointment for the post of Legal Consultant had not been advertised in the news papers to fill the vacancy.

- (ii). Another Legal Consultant had been appointed by the Chief Secretary on contract basis at a salary of Rs. 75,000 per month even though he is eligible for SL-1 salary scale as per cadre approval. Hence a sum of Rs. 624,780 had been over paid to him. Further it was observed that the appointment for the post of Legal Consultant had not been advertised in the news papers to fill the vacancy.
- (iii). A sum of Rs. 430,000 had been paid during the year under review to the Media Coordinator by the Secretary to the Governor based on an amount fixed by the Governor without complying with any circular instruction.
- (iv). A sum of Rs. 182,400 had been paid as news editing charges to the Media Consultant during the year under review by the Secretary to the Governor based on an amount fixed by the Governor without complying with any circular instruction.
- (v). A sum of Rs. 265,161 had been paid for the Director of the Trilingual Learning Centre during the year under review by the Secretary to the Governor based on an amount fixed by the Governor without complying with any circular instruction.
- (vi). A sum of Rs. 54,795 had been spent by the Provincial Ministry of Education for Liquer and bites provided for the educational seminar.
- (vii). Although there is no provision in the rules and regulations for providing welfare items to the officers of the Government Departments from the Public Fund, expenditures aggregating Rs. 941,375 had been incurred by the Governor’s Secretariat for purchasing welfare items for office use during the year under review.
- (viii). Provincial Road Projects

 - (a). A contractor who had completed a contract package in the previous year had made an additional claim of Rs 68 million and the arbitration process applied thereon had not been resolved even as at 30 April 2015.
 - (b). The contracts for rehabilitation of Sandilipai-Kanthorodai Road, Kuppilan- Kurumbasidy Road had been awarded in December 2013 without signing a contract agreement. However, a Memorandum of Understanding had been signed by the contractor with the Northern Provincial Council only on 10 October 2014.
- (ix). Northern Road Connectivity Project (NRCP)

 - (a). The contract for rehabilitation of Vallai to Araly Road from 0+000 kilometre to 27+400 kilometre had been awarded in May 2011 and the rehabilitation works of the road section from 4+140 kilometre to 9+200 kilometre had been withdrawn subsequently due to security reasons. However, the contractor had transported the entire soil requirements for the rehabilitation works from Kilinochchi area without a prior approval. As a result, a dispute had been arisen between the Project and the contractor and it had been settled

with the agreement to pay a sum of Rs. 91.20 million to the contractor and a sum of Rs. 1.62 million to the arbitrators.

- (b). In addition to the above another dispute had been arisen on the contract for rehabilitation of Thonigala to Galkulama Road awarded on 10 May 2011 in respect of increase of rates indicated in the Bill of Quantity for Dense Graded Aggregate Base Course by 115 per cent. Therefore, the Project had paid a sum of Rs 25.70 million additionally to the contractor based on the settlement arrived in December 2013. However, it was later revealed that the respective dispute had arisen due to incomplete Bill of Quantity prepared by the Design Consultant and no action had been taken against the responsible parties.
- (x). Local Level Nutrition Interventions to Improve Nutrition in Northern Province in Sri Lanka Project (JSDF)

 - (a). Although the vehicle fleet of the Office of the Provincial Health Ministry of the Northern Province was comprised with 08 motor vehicles, a van had also been procured at a cost of Rs.9.4 million on 30 June 2014, out of proceeds of the Grant allocated to improve nutrition intervention programmes.
 - (b). A sum of Rs 1.39 million had been spent by the Project to supply, print and binding of envelopes for the use of drug issues eventhough the separate allocations were made available in the Budget Estimate of the Provincial Health Ministry to meet such expenses. However, information in connection with distribution of envelopes, and stocks in hand, etc had not made available for audit.

5.4 Apparent Irregularities

- (i). Over Payment of Fuel Allowances Rs. 179,747

 - (a). A monthly fuel allowance of Rs. 36,585 had been paid to the Chief Secretary, Northern Province for a petrol vehicle where as a diesel vehicle had been assigned to the Chief Secretary. As a result a sum of Rs. 110,475 had been overpaid due to fuel allowance being paid to a petrol vehicle instead of a diesel vehicle.
 - (b). Although a monthly fuel allocation of 225Litres had been provided to the Chief Secretary, Northern Province, the fuel orders had been used to obtain fuel to the assigned vehicle for the year under review. In this connection it was observed that a sum of Rs.69,272 had been paid for additional fuel obtained.
- (ii). A payment of Rs. 227,150 had been made to the Resource Persons contrary to Section III of Chapter IX of the Establishments Code for working under the Provincial Director of Education to conduct seminars and work shops during the office hours.

(iii). Expenditure from Governor’s Discretionary Project

It was observed that the tender procedure in terms of the Section 2.14.1 of the Procurement Guidelines had not been followed in respect of expenditure amounting to Rs. 4,690,150 spent from the Governor’s Discretionary Project. Details are given below.

Nature of Payment	Amount Rs.
1000 Nos. Tin sheets	1,190,000
Construction of volley ball, net ball, basket ball courts	3,000,000
5 Nos. Sewing Machines	107,495
2 Nos. Bicycles	25,200
Children’s play items	367,455
	4,690,150

Documentary evidence such as purpose of the above items purchased, beneficiaries list of the items distributed and acknowledgements of recipients were not made available for audit.

(iv). Construction Works at rented out Buildings

Temporary sheds, vehicle parks and bicycle sheds had been constructed at the rented out buildings owned by the private parties at a cost of Rs. 1,586,038. Details are as follows.

Ministry/ Department	Nature of the work done	Cost Rs.
Deputy Chief Secretary –Administration	Construction of temporary sheds	258,096
Deputy Chief Secretary – Planning	Construction of vehicle parks and bicycle sheds	477,111
Deputy Chief Secretary – Finance	Construction of a shed	116,520
Governor’s Secretariat	Construction of a vehicle park	119,872
Chief Minister’s Ministry	Construction of a vehicle park	614,439
		1,586,038

(v). Renovation of a Private Building (Verasingam Hall) from the Provincial Fund

A sum of Rs.12.52 million had been paid to 51 Division of Security Forces Head Quarters, Jaffna without resorting a tender procedure for renovation work of private building (Verasingam Hall). In this connection, details of evidence for expenditure such as bills, invoices, work done certificates, etc had not been furnished for audit.

- (vi). Expenditure incurred for Special District Development Committee Meeting at Jaffna
Rs.981,355

The following expenditure had been paid from Provincial Fund in connection with the Special District Development Committee meeting without considering the economy of the transactions.

Name of the Institutions	Nature of Payment	Amount Rs.
-----	-----	-----
Thalsevana Holiday Resort	Tea party and lunch	149,000
PRI 51 Division	Tea and special lunch for Drivers and Security Forces	82,000
PRI 57 Division	Food items	3,555
Caxton printers	Board making	155,300
Caxton printers	New board making and flex printing	35,400
Jana Digital Printing	banner printing	54,600
Jana Digital Printing	Hording designing charge	70,400
Tharuna Digital Media Works	Flex printing	17,600
Tharuna Digital Media Works	Entrée cutout at Veerasingam Hall	71,000
Karish Garden	Pots with plants	89,000
Baskaran Sitpalayam	Plaque making charge	145,000
Karish Garden	Pots with plants	8,500
SKS Construction	Welcome arch making	85,000
Nuha Curtain Fashion	Curtain work	15,000
		----- 981,355 =====

Further it was observed that even though the above expenditure had been charged to incidental vote particular 400-03-02-1703, the evidence such as original voucher, invoice, work completion certificate, acknowledgement for payment and inventory certificates were not made available for audit.

- (vii). Irregularities and Malpractices on the North East Local Services Improvement Project

Project Engineer was the Chairman of the Technical Evaluation Committee and had recommended payments for several contracts. However, those contracts had been carried out by the “M/S Scarlet Engineering” Construction Company owned by his farther. The company’s bank account had been operated by the Project Engineer himself. Information with regard to the conflict of interest on the project works were not declared by the Project Engineer. Due to the conflict of interest on contract works the following malpractices, had taken place.

- (a). Extra Schedule of Rates (ESR) of the works had been approved by the Project Engineer instead of the Project Director without considering conflict of interest.
- (b). Several alterations had been made in the B' envelop without obtaining permission from the relevant authority and payments had been made on the altered amount.
- (c). 04 Nos. of ESR payments to the value of Rs. 1.14 million had been made without obtaining approval from the Project Director for the construction of market and shopping complex at Maanandy. It was also observed that no extra works had been done at this site.
- (d). Most of the construction works awarded to the "M/S Scarlet Engineering" Construction Company had been sub contracted to other construction firms contrary to the contract agreement.
- (e). Extra works had been entrusted to the contractor by the Project Engineer at very high rates and the high rates had been recommended by the Project Engineer himself.

Investigations had not been carried out by the relevant authorities on the above malpractices taking place at the project office involving several million during the year under review and action had not been taken against the officers directly or indirectly involved in these malpractices.

(viii). Fuel Allowance paid to the Governor

Although the Governor was entitled for a monthly fuel allowance of Rs. 264,500 only, monthly fuel allowances ranging from Rs. 247,400 to Rs. 497,600 had been paid to the Governor contrary to Circular No. CD/1/17/1 dated 14 May 2010 of the Presidential Secretariat. As a result, a sum of Rs. 1,714,840 had been overpaid during the year under review. Further it was observed that payments had been made for purchase of super petrol though there was no provision in the Circular to supply super petrol to the Government vehicles. PAYE tax on fuel allowance paid in excess of Rs. 50,000 per month to the Governor also had not been recovered.

- (ix). Eventhough a Legal Consultant had been already appointed to the Governor's Secretariat for a monthly allowance of Rs. 50,000, a sum of Rs. 143,780 had been paid to a Private lawyer as legal expenses during the year under review.

(x). Reimbursement of Course fees

Eventhough the service minutes does not stipulates the advanced diploma in engineering course as a requirement for promotion, a sum of Rs. 150,000 had been reimbursed to one Technical Officer to follow the above course.

(xi). Fraudulent Nature of Transactions

A payment of Rs.5 million had been made to PRI Security Head Quarters, Jaffna by the Zonal Director of Education, Jaffna without certifying the payment in terms of F.R 138 for the assistance to the war affected students under the scholarship programme for under privileged children in the Northern Province in 2013. However the following documents were not made available for audit to justify the payment of Rs.5 Million.

- (i). Evaluated target group.
- (ii). Recommendation of the Grama Niladhari/ Division Secretaries.
- (iii). Details of selection under each selection criteria by the relevant Ministry.
- (iv). Monitoring and evaluation report from the respective principals of the schools and the Zonal Director of Education, Jaffna.
- (v). Progress of the selected students forwarded by the principals of the respective schools.
- (vi). List of Scholars already benefited.
- (vii). Acknowledgment/ proved documents from the recipient of scholarship or on behalf of the selected students.
- (viii). Approval to effect the payment of Rs.5 Million to the Secretary Force Head Quarters, Jaffna.

(xii). Fraudulent Payment of Rs. 4,418,506 made by North East Local Services Improvement Project

A test check carried out on the payments for civil works in respect of 03 out of 34 Local Authorities in the Northern Province, revealed that fraudulent payments of Rs. 4,418,506 had been made by alteration of rates for each BOQ item in the bid documents and that payments had been made accordingly.

(xiii). A salary payment aggregating Rs. 105,345 had been made to an English Teacher attached to the J/Skandavarodaya Primary School during the period of study programme at the University of Jaffna. But during the period of study programme there was a strike organized by the staff of the University of Jaffna from 06 June 2012 to 10 October 2012 (4 months) and during this period the teacher had obtained salary without reporting back for the duties.

(xiv). A teacher of J/Vaddu Central College had been interdicted in June 2000 due to submission of forged educational qualification result sheets. However action had not been taken to conduct an inquiry or to recover the salary aggregating Rs. 286,737 paid to him from the period 01 October 1992 to 31 May 2000.

5.5 Expenditure Extraneous to the Objectives of the Department

The following observations are made

- (i). Expenditure aggregating Rs. 8,279,632 had been incurred during the year under review for transactions extraneous to the objectives of the Governor’s Secretariat. Details are given below.

Nature of Payment	Amount Rs.
Readymade Tarpaulins	4,888,332
Shoes - Planet, Acer, B first	979,200
Food Items	998,500
Kids dresses	1,000,000
Window frame and door for Jaffna Nagavihara Restorations Fund	282,000
News paper advertisement for President’s 9 th year achievement	131,600
	8,279,632

It was observed that the tender procedure in terms of the Section 2.14.1 of the Procurement Guidelines had not been adopted on the above transactions. Further the purposes of the above items purchased, beneficiaries lists, acknowledgement of recipients were not made available for audit.

- (ii). Expenditure aggregating Rs. 1,206,119 had been incurred during the year under review for the transactions which were extraneous to the objectives of the Ministries and Departments. Details are given below.

Ministry/ Department	Nature of Payment	No. of Transactions	Amount Rs.
Ministry of Education	Bogaswawa resettlement and school programme at hindu temple expenses	02	323,414
Department of Cooperative Development	Accommodation charges for Dayata Kirula	12	672,205
Chief Minister’s Ministry	Printing diaries for the farewell of the High Commissioner	03	210,500
		17	1,206,119

5.6 Transactions not Supported by Adequate Authority

The following observations are made.

(i). Auction of 16 Unserviceable Vehicles

Sixteen vehicles belonging to the Northern Provincial Council had been sold for Rs.5,412,232 through public auction based on valuation at Rs.5,095,000. However these vehicles had not been indicated in the board of survey report as unserviceable. However the ownership of 10 vehicles had not been transferred to the buyers of the vehicles even after a lapse of 39 months due to administrative lapses. Subsequently two buyers had filed a case against the Chief Secretary at the Human Rights Commission of Sri Lanka for non rendition of books and documents relating to the transfer of owner ship.

(ii). Payment of Additional Fuel to the assigned vehicle No. KX 0299

The vehicle bearing No. KX 0299 had been assigned to the Chief Secretary, Northern Province and a monthly fuel allowance of Rs. 36,585 had been paid. In addition to the monthly fuel allowance, an additional fuel to the value of Rs. 477,537 had been provided to this vehicle during the year under review. However, the prior approval from the Secretary, Ministry of Provincial Councils had not been obtained in terms of Public Administration Circular No. 13/2008 of 28 June 2008.

(iii). Travelling Claim Rs. 254,750

Although the main office of the Governor’s Secretariat was stationed at Jaffna and Sub Offices were stationed at Kilinochchi, Vavuniya and Colombo, travelling claims amounting to Rs. 254,750 had been paid to the Governor and the Coordinating Secretary for the period of 426 days spent at Colombo and outstations. In this regard, the prior approval for official duties at Colombo, nature of duties performed at Colombo by the Governor and the Coordinating Secretary were not made available for audit. Details are given below.

Designation	Period	No. of Days spent at Colombo	Combined Allowance Paid Rs.
Hon. Governor	January - November (11 months)	223	135,250
Coordinating Secretary	January –August, October – November (10 months)	203	119,500
		426	254,750

(iv). Electricity Bill of the Secretary's Residence

A sum of Rs. 74,503 had been reimbursed by the Secretary to the Ministry of Education for the electricity bill in respect of personal use of his private residence for two electricity meters.

(v). Payment of Translation fees

A sum of Rs. 80,000 had been paid by the Department of Land Administration as translation fees to an individual who had not worked in the Provincial Council without obtaining permission from relevant authority. However the basis of payment and details of translation were not made available for audit.

5.7 Uneconomic Transactions

(i). Expenditure aggregating to Rs. 6,537,650 had been incurred by 04 Ministries and 17 Departments without considering the essential needs and economic rates/ prices during the year under review.

(ii). Payments for Dialog Television

A sum of Rs. 262,155 had been paid from the Provincial fund during the year under review for 9 Nos. of dialog televisions provided to the office, sub offices and Bungalow of the Governor's Secretariat.

(iii). Expenses incurred for the Supply of Electricity to the Governor's Bungalow, Office, Sub Offices and the Residence of the Secretary to the Governor.

A sum of Rs. 3,557,586 had been paid as electricity charges during the year under review contrary to Budget Circular No. 156 issued by the Ministry of Finance and Planning on 16 February 2012. However a sum of Rs. 296,466 approximately per month had been paid as electricity charges.

(iv). Expenditure incurred for Air tickets

Although the public transport is available within the Island, a sum of Rs.113,750 had been paid by the Governor's Secretariat and Chief Secretary's Secretariat for air tickets charges to travel by Helicopter within the Island contrary to Section V of Chapter XIV of the Establishments Code.

(v). Expenses on Entertainment

Entertainment expenditures Rs. 539,752 had been incurred by the Governor's Secretariat without considering the economic rates/ prices during the year under review.

5.8 Utilization of Funds

The following observations are made.

- (i). The Governor's Trust Fund of the Northern Province had been established without either a memorandum passed by the Governor, Northern Province or Statute passed by the Provincial Council for the creation of fund.
- (ii). A Governor's Trust Fund for Northern Provincial Council had been operated with effect from 01 January 2007. However, the Governor of the then North East Province had on his own initiative created the Governor's Trust Fund. In terms of Paragraph 03 of the Governor's Memorandum No. 01/2007 dated 01 January 2007, the Governor's Trust Fund should be consisted of donations or contributions received from the members of the public, Organizations, Societies and income generated from projects undertaken. However, no such contribution had been received from the above sources during the year under review and financial statements of the Governor's Trust Fund for the year under review had been rendered to audit on 22 April 2015. Although a sum of Rs. 138,863,531 had been kept in the Governors Fund for the year under review the authority given for audit to the Auditor General had been canceled unilaterally by the Governor's Memorandum No. 1/2014 dated 10 January 2014.
- (iii). Creation of Governors Discretionary Fund from the money kept in the Provincial Ministries and Departments Deposit Account

Several funds kept in the Provincial Ministries and Departments deposit accounts for specific purposes had been transferred without obtaining relevant authority to create Governors Discretionary Fund. The transfer of funds from the deposit accounts was considered as unauthorized as there is no provision in the Provincial Councils Act or any other Act to create a discretionary fund by the Governor without Statute being passed in the Provincial Council. Further, it was observed that the approval for the transfer of funds to create Governors Discretionary Fund had been given by the Governor himself and the money transferred to the Governors Discretionary Fund had been idle for over two years. The details of the unauthorized transfers are as follows.

Ministry / Department	Purpose of Deposits	Amount Rs.	Remarks
Ministry of Agriculture	Purchase of Water Pumps	11,457,360	Money given by the Food and Agriculture Organization (FAO) to procure 1600 Nos. of water pumps. However the water pumps had not been purchased (Revolving fund)
Department of Land Administration	Chilly and coconut project, Agro well renovation	4,700,000	Project work and renovation of agro wells not implemented.
Department of Co-operative Development	Recoveries from loans to grant loans	32,000,000	Funds available to be used for granting loans for the beneficiaries of livelihood credit management service had not been utilized.
Department of Agriculture	Project Implement of FAO	62,135,200	Project works had not been implemented
		110,292,560	

(iv). Utilization of Specific Grants

A sum of Rs 394.58 million received from Provincial Treasury in December 2014 had been kept in the deposits account without being utilized for the intended purposes. Details are as follows.

Type of Fund	Amount Rs.
Criteria Based Grant (CBG)	119,532,637
Provincial Sector Development Grant (PSDG)	80,429,081
UNICEF	2,764,392
Teachers Secondary Education Project (TSEP)	183,447,366
1000 schools	8,405,381
Total	394,578,857

(v). Utilization of Provincial Funds

- (a). Particulars of budgeted funds received from various sources for the development work proposals of the Provincial Council and the actual expenditure incurred thereon are given below.

Description of Sources -----	Budgeted ----- Rs.	Actual Expenditure ----- Rs.	Savings ----- Rs.	Percentage of Utilization ----- %
Provincial Specific Development Grants (PSDG)	1,035,000,000	1,023,777,230	11,222,770	99
Education Sector Development Project (ESDP) / (TSEP)	290,000,000	286,468,036	3,531,964	99
Northern Road Connectivity Project (NRCP)	1,495,600,000	662,316,435	833,283,565	44
United Nations Children’s Fund (UNICEF)	71,777,000	50,979,131	20,797,869	71
Provincial Road Project (PRP)	909,400,000	811,160,189	98,239,811	89
Criteria Based Grant (CBG)	393,000,000	391,438,298	1,561,702	100
Nawodaya Northern Provincial Council 1000 Schools	35,000,000	34,785,863	214,137	99
Jaffna Kilinochchi Water Supply and Sanitation Project	800,000,000	8,170,342	791,829,658	1
Iranamadu Irrigation Development Project	690,000,000	491,265,559	198,734,441	71
Health Sector Development Project (HSDP)	180,000,000	180,000,000	-	100
Local Level Nutrition Intervention Programme	60,000,000	59,872,589	127,411	100
	5,959,777,000	4,000,233,672	1,959,543,328	

(b). Funds amounting to Rs. 5,959.78 million had been budgeted during the year under review from above sources for capital works. Out of the budgeted amount, a sum of Rs. 1,959.54 million had not been utilized for the intended purposes by the Provincial Council.

(c). Sums of Rs. 137.1 million and Rs. 1,763,531 had been kept in the fixed deposits account and the current account of the Governor’s Trust fund without being utilized for the intended purposes.

(vi). Provincial Development Plan

462 work proposals totalling Rs. 1,492 million had been approved under new works and continuation works. According to progress reports of the Provincial Council, progress of the works are shown in the table given below.

	New Works	Continuation Works	Total No. of Work Proposals
	-----	-----	-----
Fully completed	361	60	421
Completed less than 50%	-	-	-
Completed more than 50%	32	02	34
Not commenced	06	01	07
Total	399	63	462
	=====	=====	=====

(vii). Government Grants

Particulars in respect of provisions for the Provincial Council Development work proposals and expenditure incurred thereon are given below.

Sources	Provision Rs.	Actual Expenditure Rs.	Underutilization Rs.
-----	-----	-----	-----
(i) Criteria Based Grants (CBG)	393,000,000	391,438,298	1,561,702
(ii) Provincial Specific Development Grants (PSDG)	1,035,000,000	1,023,777,230	11,222,770
Total	1,428,000,000	1,415,215,528	12,784,472
	=====	=====	=====

5.9 Idle and Underutilized Assets

(i). Idle and Underutilized Physical Resources

Physical resources of several Ministries and Departments were allowed to be idle or underutilized as analyzed below.

Ministry/ Department	Category of Assets	Number of Units	Value Rs.	Idle or Underutilized Period
-----	-----	-----	-----	-----
Ministry of Agriculture	Machinery	07	Value not made available	Over 05 years
	Other assets	07	Value not made available	Over 05 years
Department of Education	Building - Student Hostel	01	Value not made available	Over 06 years
	Motor vehicles	04	Value not made available	Over 05 years

	Motor vehicles	05	Value not made available	Over 03 years
	Machinery	09	Value not made available	Over 01 year
	Other Assets	122	Value not made available	Over 02 years
Department of Agriculture	Motor Vehicles	19	Value not made available	Over 01 year
	Water pumps	75	Value not made available	Over 02 years
	Sprayers	75	Value not made available	Over 02 years
Department of Animal Production and Health	Buildings - Labour quarters	02	Value not made available	Over 05 years
Department of Land Administration	Motor bikes	02	Value not made available	Over 01 year
	Other Assets	10	Value not made available	Over 01 year
Department of Probation and Child Care Services	Other Assets	24	Value not made available	Over 01 year
Department of Irrigation	Vehicles	08	Value not made available	Over 01 year
	Generator	01	Value not made available	Over 05 years
Department of Rural Development	Building - Food Production Centre and Grinding Mill	05	8,600,000	Over 01 year
		----- 209 =====		

(ii). Physical resources of Advance Account Activities had been idle or underutilized as analyzed below.

Institution	Category of Asset	Number of Units	Value Rs.	Idle or Underutilized Period
-----	-----	-----	-----	-----
Government Seed Production Farm	Water pump	07	Value not made available	Over 3 years
Livestock Farms	Labour quarters and office buildings	03	2,745,066	Over 05 years
Textile Industries	Office Equipment and machinery	119	Value not made available	Over 05 years
		----- 129 =====		

- (iii). Closing stock of Rs. 40,361 of Textile Industries, Department of Industry included batik cloth which had not been used for the intended purpose.
- (iv). 127 Nos. of vehicles had not been utilized for the intended purpose by the Local Authorities of four districts.
- (v). 01 Maruthi Jeep at Office of the Deputy Chief Secretary - Finance had not been made available to the Board of Survey to verify physically.
- (vi). A three wheeler having registration No. NPHO 8754 donated to J/ Hindu Ladies College, Jaffna had been lying idle over last 03 Years.
- (vii). 1,076 inventory items had not been recorded in the inventory register by several Ministries and Departments in terms of the F.R. 454 and 751 (1).

Ministry/ Department	Category of Asset	Number of Units
-----	-----	-----
Ministry of Education	Vehicles	02
	Computer sets	04
Department of Education	Cabinets	31
Department of Probation	Water tank	01
	Water pump	01
	Office equipment	117
Department of Sports	Other Assets	796
Department of Animal Production and Health	Other Assets	04
Office of the Deputy Chief Secretary - Administration	Computer accessories	06
	Office Equipment	84
Department of Local Government	Computer accessories	09
	Office Equipment	18
Department of Industries	Refrigerator	01
Department of Land Administration	Filing Cabinets	02
		1,076
		=====

(viii). Annual Verification of Stores

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- (a). Annual Board of Survey Reports of five Zonal Education Offices in Jaffna District had not been furnished for audit in terms of PFR No. 213.
- (b). Proper stores administration procedures had not been followed by certain schools and considerable differences had been observed between the store ledger balances and physically verified balances as at end of the year under review.

(ix). Local Level Nutrition Interventions to Improve Nutrition in Northern Province in Sri Lanka Project (JSDF)

- (a). It was observed that 100 adult and 80 pediatric height and weight equipment procured at a cost of Rs. 6.65 million in 2012 had been underutilized by the Offices of the Medical Officer of Health for over 02 years due to several reasons such as the respective machines were not calibrated by the Bio Medical Engineers and lack of familiarity of officers for the usage of such electronic equipment.
- (b). It was revealed at the audit inspections that 105 motor grinders procured at a cost of Rs.5.3 million and issued to 23 Offices of Medical Officer of Health during the year under review, had not been used for intended purposes due to lack of supply of three phase electricity. Further, the availability of raw materials in the area for the purpose of processing of foods had not been considered by the Project before procuring of such equipment.

5.10 Identified Losses

The following observations are made.

- (i). Final reports in terms of PFR 70(5) had not been furnished by two Provincial Departments in respect of losses amounting to Rs 48,961,545 occurred during 1999 to 2011. Details are given below.

Ministry/ Department	Amount Rs.
Provincial Department of Animal Production and Health	17,554,713
Provincial Department of Irrigation	21,761,867
Provincial Department of Health	9,644,965
	48,961,545

- (ii). The Provincial Department of Local Government had not maintained a Register of Losses in terms of FR 110 and PFR 76 in order to record losses derived from two accidents to the vehicle No. 18-0845 occurred in year 2011 and 2012. Further losses of Rs 451,000 sustained on two accidents had not been assessed and recorded in the relevant Register of Losses in terms of FR 102 and PFR 68 by the Department.
- (iii). Action had not been taken by the Provincial Ministry of Health and Indigenous Medicine regarding the losses occurred due to the accident of vehicle No.KE 6032 in terms of FR 103(1).

- (iv). Previous year's loss aggregating to Rs. 332,220 had not been brought to the accounts by the Provincial Ministry of Education.
- (v). A sum of Rs. 109,413 had been paid by the Department of Land Administration without being obtained the police report for repair the vehicle damaged due to an accident. These details had not been shown in the appropriation account.
- (vi). Vehicle repairs amounting to Rs. 191,917 due to accident had not been disclosed in the Appropriation account by the Governor's Secretariat.

5.11 Deficiencies in Contract Administration

(i). Provincial Road Project

- (a). The scope of the road rehabilitation works carried out by the Project had been regularly changed thus indicating that the proper ground surveys had not been carried out at the time of preparation of engineering estimates. According to the information received, the quantities included in the Bills of Quantities of the rehabilitation works of Siven Kovil Road, Velanei - Suruvil Road and Mandathivu Road in Jaffna District had been varied significantly ranging from 36 per cent to 250 per cent.
- (b). Eventhough the rehabilitation of 06 provincial roads under 02 packages had been completed and defect liability period ended as at 30 October 2013, such roads had been taken over by the Northern Province Road Development Department with delays of periods ranging from 72 days to 132 days.
- (c). It was observed that time extensions had been granted for the rehabilitation works of 06 provincial roads under 02 packages for over 170 calendar days by the Project Director without valid reasons. In this connection prior concurrence had not been obtained from the Lending Agency.

(ii). Northern Road Connectivity Project (NRCP)

- (a). The following observations are made on the contracts awarded under the original scope of the Project.
 - (i). According to the mission reports, the recommendations issued to widen road shoulders and construction of retaining walls at several locations of the Valai-Araly Road had not been implemented by the Project.
 - (ii). Criteria had not been established to determinate service levels of the works carried out under performance based road maintenance works and assess the monthly performance to make payments according to the performance indicators. Further, the contractors had not submitted a Method Statement for performance based maintenance activities. Further, separate contract agreements for performance based

maintenance works had not been entered into with the contractors and as a result, the possibility of arising of disputes on settlements of claims cannot be ruled out in audit.

- (iii). The defect liability period of the rehabilitation works Mankulam- Mulative Road carried out at a cost of Rs. 3,181,443 had been completed in July 2014. However, rectification of defects in 11 locations between section 18+446 kilometres to 20+720 kilometres of the Road highlighted in the Non- Conformity Reports had not been carried out even as at 31 December 2014.
- (b). The following observations are made on the contracts awarded under the additional funding arrangement of the Project.
- (i). It was observed that the cost of over time amounting to Rs 86,810 of the technical staff of the Consultant had been incurred by the contractor eventhough the staff of the Consultant is not allowed to receive any financial or other benefits from the contractor, according to the provisions made in the consultancy service agreement.
- (ii). It was observed that the financial and physical resources of the contractors had not been effectively utilized for the purpose of the activities of the contract at several instances causing risks on completion of the contracts during the agreed timeline. The human resources including a Quality Control Manager and labourers had not adequately employed by the contractor for the rehabilitation works of the Jaffna-Pannai - Kayts Road.
- (iii). According to Paragraph 103.4 of Volume 3-Technical Specification, the contractor should comply with safety precautions and satisfactory traffic controlling arrangements and that should be continued during the execution of work. The progress reports and site meeting minutes shows severe safety violations at the reconstruction of Medawachchiya - Kebithigollawa Road due to lack of barriers around deep excavation sites, road signs at places where narrowing the road etc.,
- (iv). Although Non Conforming Product Notifications had been issued for the defective locations of the Kebithigollawa – Padaviya Road, either the plans for required corrective action had not been submitted for the Engineer’s approval or action had not been taken to rectify the asphalt failed sections of the Road by the contractor.
- (v). Even though the Environmental Monitoring Reports are submitted by each contractor according to the Clause 4.18 Special Condition of the contract in every month, several instances were observed that the environmental compliance procedures had not been adopted by the contractors. At the physical audit tests carried out in May 2015 revealed that debris and excavated materials had not been removed along the Medawachchiya-Kebithigollawa Road and that measures had not been taken to control dust emission of the crusher plant and asphalt plant located at Ethakada.

- (vi). The Project had undertaken to supply pipes and fittings, excavation, back filling and pipe laying activities on behalf of the National Water Supply and Drainage Board for the reconstruction works carried out on Madawachchiya - Mannar Road and Jaffna - Pannai - Kayts Road and incurred costs of Rs 15.9 million and Rs. 16.8 million respectively. However, the pipes and fittings valued at Rs 3.8 million had remained idle at the Executive Engineer's Office of the Road Development Authority at Maradankadawela without utilizing for intended purpose.
- (vii). The Project had released a sum of Rs. 8.19 million to the Divisional Secretariat Kayts at the end of the year under review for the payment of compensation on land acquisitions for rehabilitation of Jaffna - Pannai - Kayts Road. However, the details of payments such as list of owners, acknowledgements received from them had not been presented for audit. Further, the unspent sum of Rs.1.32 million had been transferred to a deposit account by the Divisional Secretariat at the end of the year under review. It was also observed that the Project had released a sum of Rs. 2.79 million to the Divisional Secretariat without identifying the land owners of 76 plots of land.

5.12 Delayed Projects

- (i). There had been considerable delays in implementation of 108 projects to the value of Rs. 153,456,529 during the year under review and previous years by the Local Authorities in 2 districts.
- (ii). There had been considerable delays in implementation of 18 projects to the value of Rs. 162,039,710 during the year under review and previous years by the Provincial Department of Education.
- (iii). Considerable Period of Delay in Completion in North East Local Services Improvement Project (NELSIP)

Delays were observed ranging from 02 to 08 months in the completion of civil works in Northern Province. In this connection, liquidity damages as per contract agreement had not been recovered from the contractors by the Pradeshiya Sabhas of Northern Province.

- (iv). Delay in Commencement of Orchard Mother Plant Activities

Eventhough it had been decided to implement the orchard farm mother plantation activities during the year under review and a sum of Rs. 4,490,268 had been paid by the Ministry of Agriculture the funds had not been utilized effectively even up to 31 August 2015 due to non completion of soil parking works. Details are given below.

Nature of Payment	Amount Rs.
Construction of water tank and tube well	1,047,200
Construction of net house	315,000
Purchase of Plants	76,270
Agriculture Instruments (Water pump, Two wheel tractor, High pressure main line, low pressure main line, etc.)	2,591,113
Electricity connection (Connection had not been provided up to now)	460,685
	4,490,268

5.13 Delays in Implementation of Projects

- (i). 68 project works to the value of Rs. 109,518,500 had been completely abandoned by 10 Local Authorities in Jaffna district due to lack of funds.
- (ii). The following 18 project works to the value of Rs. 20,460,000 had not been commenced during the financial year and previous years by the Department of Education.

Financial Year	No. of Projects	Allocation	Deposit Imprest Received
2013	03	7,810,000	7,810,000
2014	15	12,650,000	12,650,000
	18	20,460,000	20,460,000

5.14 Observations on the Projects implemented in the Northern Province

- (i). Physical Progress of Provincial Road Project (PRP)

According to the information made available, 04 contract packages had been awarded by the Project to rehabilitate 12 provincial roads with the length of 56.17 kilometers even though it was expected to rehabilitate 100 kilometers approximately in the Northern Province. Out of 12 provincial roads expected to be rehabilitated, the rehabilitation works of 06 roads with the length of 23.07 kilometers under 02 packages had been completed with delays for periods ranging from 150 days to 174 days as at 30 October 2013. The rehabilitation works of other roads with the length of 26.42 kilometers had not been completed even as at 31 December 2014.

(ii). Physical Progress of Northern Road Connectivity Project (NRCP)

The activities of the Project had comprised with 02 components which rehabilitation works to be done under original scope of works and additional funding arrangements. According to the Project Implementation Plan for original scope of works, 10 national roads in the Northern and North Central Provinces with the length of 170 kilometres were expected to be completed. The Project had awarded 10 contract packages for rehabilitation of such roads and all the rehabilitation works had been substantially completed as at 21 December 2013. Under the Stage 11 of the contracts the contractors were committed to enter into performance based road maintenance contracts and carry out road maintenance works of such roads for further 03 years.

Further, the contracts for rehabilitation works of other 10 roads in Northern and North Central Provinces had been offered in 2013 and 2014 under the additional financing arrangements and the physical progress stands ranging from 30 per cent to 75 per cent as at 31 December 2014. Out of that, the rehabilitation works of Jaffna- Pannai- Kayts Road commenced in December 2013 had shown a slow physical progress of 30.7 per cent as at 31 December 2014.

(iii). Local Level Nutrition Interventions to Improve Nutrition in Northern Province in Sri Lanka Project (JSDF)

(a). Physical Progress

The Project had involved in supplying of nutritional foods (Jeevaposha) for targets of 9,000 pregnant women, 5,000 lactating women and 11,000 children under the age of 5 years to achieve the objective of reducing malnutrition of displaced population in the Northern Province and 6,084 pregnant women, 5,404 lactating women and 11,478 infants and children had been served under the Project.

(b). According to the information received, the Project had decided at the later stages of the period of the Project to provide foods for children below 2 years of age only and as a result, children in the range of 2 - 5 years of age had not been served by the Project.

(c). It was observed that the Project had spent a sum of Rs 16.08 million for the purpose of procuring of motor vehicles and grinders and printing material etc during the year under review and these items had not been included in the financing plan and also not directly related to the objectives of the Project.

(iv). Jaffna Kilinochchi Water Supply and Sanitation Project (Iranamadu Component)

(a). Physical Progress

The activities of the Project as per Project Agreement for rehabilitation of Iranamadu Head Works including spillways, radial, gates, apron, energy dissipating structures, bridge, sluice gates, and automations to achieve sustainable improvement of water and land productivity had not been commenced even though 3 1/2 years of the period of the Project was lapsed as at 31 December 2014. In this connection, the Project Director had stated that the construction works of the Project had not been commenced due to the strong resistance from farmers in the area on sharing water. In audit point of view, if the Project had taken action to communicate with farmers on the activities of the Project at the earliest stages of the Project, the resistance could have minimized by saving of cost and time of the Project.

(b). The expenses incurred on telephones, electricity charges and course fees aggregating Rs 135,977 related to the Department of Irrigation had been accounted as expenditure of the Project.

(v). Post-Conflict Emergency Assistance for Livelihood Restoration of Resettled Internally Displaced People in the North Project

(a). Physical Performance

(i). A Project Coordinating Committee (PCC) chaired by the Secretary to the Ministry of Economic Development should be held monthly in terms of paragraph 15 of the Project Administration Memorandum. However, a Project Coordinating Committee had not been established during the Project period, as enable to monitoring of the activities of the Project effectively.

(ii). An Action Plan which need to be identified the responsibilities of core – staff with targets to be achieved and the budgetary allocation relating to the activities to be carried out during the period had not been prepared. Therefore, the progress of the Project as a whole could not be properly evaluated in order to take corrective measures and to make necessary changes for achieving objectives set for.

(iii). According to information made available to audit, physical progress of the rehabilitation of field irrigation canals as at 28 February 2014 were as follows.

District	Field Irrigation Canals (FICs)			
	Target	Completed	Work in progress	Total
	Km	Km	Km	Km
Jaffna	40	17.41	-	17.41
Kilinochchi	40	-	22.5	22.5
Mullaithivu	40	-	7.25	7.25
Mannar	40	18.90	-	18.90
Vavuniya	40	-	23.58	23.58
Total	<u>200</u>	<u>36.31</u>	<u>53.33</u>	<u>89.64</u>

According to the above information, out of 200 kilometres targeted to be rehabilitated during the period of the Project field irrigation canals of 36.31 kilometres had only been completed within the period of the Project.

- (iv). The Project had targeted to improve 100 kilometres of rural access roads during the period of the Project and out of that improvement works of 28.98 kilometres of rural access roads only had been completed as at 28 February 2014.
- (v). As per Project Agreement, it was expected to provide skill development training for self-employment for at least 2,000 internally displaced persons and out of that, the training workshops for 1,758 internally displaced persons only had been provided as at 28 February 2014.
- (b). Tools and equipment valued at Rs. 29,377,755 had been distributed under livelihood restoration activities carried out by the Project in Mullativu, Kilinochchi, Vavuniya, Mannar and Jaffna districts. However, the bidders for the procurement of such assets had been selected contrary to the provisions made in the Government Procurement Guideline.
- (c). A Register of Fixed Assets had not been maintained properly by the Project. Further, Annual Board of Survey on the non-current assets of the 05 district offices had not been conducted in terms of Financial Regulations 756. As such, the existence of non-current assets valued at Rs. 5,100,789 and tools valued at Rs. 29,377,755 distributed to the district offices had not been verified.
- (d). As instructed, cash and bank balances at the end of the period of Project required to be remitted to the General Treasury. However, cash and bank balances aggregating Rs. 1,020,436 had not been remitted to the General Treasury as at 28 February 2014.

- (e). 10 desktop computers at a cost of Rs.1,137,768 had been procured by the Project on 28 February 2014 and retained at the premises of former Ministry of Economic Development even as at 31 December 2014.
- (f). Even though the activities of the Project had been closed as at 28 February 2014 the Executing Agency had not taken action to hand over the assets of the Project to the respective agencies and prepare winding up accounts of the Project.
- (g). Over payment amounting to Rs. 343,035 to the Employees Trust Fund had been shown under a Suspense Account in the financial statements.
- (vi). North East Local Services Improvement Project (NELSIP)

Grants amounting to Rs. 2,240,764,419 released for infrastructure development activities of the Local Authorities had been disclosed as expenditure in the financial statements without it being fully utilized during the year under review by the Local Authorities.

5.15 Personnel Administration

Information relating to approved and actual cadre of the Provincial Council as at 31 December 2014 are shown below.

- (i). Ministries/ Departments of the Provincial Council other than Schools

Category of Staff -----	Approved Cadre ----- Nos.	Actual Cadre ----- Nos.	Vacancies/ (Excess) ----- Nos.
Senior Level	1,675	1,122	553
Tertiary Level	2,628	1,762	866
Secondary Level	3,979	3,003	976
Primary Level	5,904	5,609	295
	----- 14,186 =====	----- 11,496 =====	----- 2,690 =====

The Provincial Council had not taken meaningful action to fill 2,690 vacancies by the end of the year under review.

(ii). School Staff

District	Approved Cadre		Actual Cadre		Vacancies		Excess	
	Principal	Teachers	Principal	Teachers	Principal	Teachers	Principal	Teachers
Jaffna	498	6,701	334	7,003	164	-	-	302
Kilinochchi	122	1,735	75	1,630	47	105	-	-
Mannar	143	1,422	76	1,544	67	-	-	122
Vavuniya	235	2,030	169	1,998	66	72	-	40
Mullaitivu	130	1,561	81	1,472	49	89	-	-
Total	1,128	13,449	735	13,647	393	266	-	464

The following observations are made in this regard.

- The Management Services Department of the General Treasury had not approved cadre for gardeners, labourers and officers for Maths Resource Centre, In-service Advisor, Teacher Centre Manager and Technical Officers. However, 36 nos. of those categories of staff had been engaged without cadre approval.
- 327 teachers had been working as principals on performance basis. In this regard, no action had been taken to fill the vacancies.
- No action had been taken to fill the 266 teacher vacancies in the Kilinochchi, Vavuniya and Mullaitivu districts in order to reduce the 464 nos. of excess teachers in Jaffna, mannar and Vavuniya Districts.
- No action had been taken to fill the 393 vacancies of the post of principal in 5 districts.

(iii). Staff of the Health Sector

Excess and shortage of health officers had existed at the offices of Provincial Director of Health Services (PDHS) and Regional Director of the Health Services (RDHS). However action had not been taken to balance the excess cadre against the shortage cadre within the province. Details are given below.

District	Medical Officer			Dental Surgeon			Nursing Services		
	Approved	Actual	Vacancies	Approved	Actual	Vacancies	Approved	Actual	Vacancies
Jaffna	220	131	89	37	26	11	289	166	123
Kilinochchi	107	82	25	13	07	06	144	65	79
Mullaitivu	123	61	62	11	06	05	132	56	76
Vavuniya	149	107	42	14	15	(01)	262	206	56
Mannar	124	74	50	17	14	03	151	107	44
	723	455	268	92	68	24	978	600	378
	=====	=====	=====	=====	=====	=====	=====	=====	=====

The following observations were made.

- (a). Request had been made for overall Health Cadre for 7,275 Nos., whilst the Management Services Department had given approval for 6,325 nos. only.
 - (b). Out of 119 nos. of approved cadre for consultant at present 43 consultants only are working in the Province. There are vacancies in several hospitals of Jaffna and Mullaitivu districts.
 - (c). Out of 723 Nos. of approved Cadre for Medical Officers, 455 Medical Officers are working at present and as a result several Peripheral Hospitals are functioning without a single MBBS Medical Officer.
 - (d). There is a shortage of Nursing Officers in major hospitals. Out of the approved cadre of 978, 600 Nursing Officers only are working in the Province.
 - (e). Out of the 92 nos. of approved cadre for Dental Surgeons, only 68 are working at present and there are 24 vacancies in five districts which are not filled up to date.
 - (f). There is a shortage of 287 Nos. of Para Medical officers in the Northern Province.
- (iv). Irregular Appointments and Remunerations

Most of the recruitments to the Provincial Council had been made on an ad-hoc basis without following any proper recruitment procedure and certain appointments had not been done within the scope of approved scheme of recruitment applicable to All Island Services or Provincial Public Services. Following observations are made in this regard.

- (a) Salaries had been paid to the re-employed retired public officers contrary to the Public Administration Circular No. 9/2007 of 11 May 2007. In this connection a sum of Rs.3.3 million had been over paid. Further, although this matter was pointed out in my report for the year 2011, action had not been taken to recover the overpayments of Rs. 3,360,959 made in the year 2011.

- (b) Letters of appointment had been issued to nine employees on contract basis including Legal Consultant without obtaining the approval from the Cabinet of Ministers.
- (c) Retired officers had been reappointed without publishing public advertisement in terms of Section 2.1 of Chapter II of the Establishments Code.
- (d) Although senior accountants with more experience are available in the Province, most of the Ministries and Departments had appointed accountants with less experience as Chief Accountants. As a result, better financial control and discipline could not be exercised in those Ministries and Departments.
- (e) Most of the Ministries and Departments had appointed officers belonging to Management Service Class - III as Chief Management Clerks instead of the officers of Management Service Class – I.
- (f) Most of the Management Assistants had been assigned to carry out the duties of the Programme Assistants.
- (g) Although Sri Lanka Accountants' Service is an All Island Service, several officers had been appointed to perform duties of Accountants during the year under review without considering the judgment given by the Supreme Court in respect of Case No. SCFR 320/2003 dated 11 February 2007.
- (h) Irregular Appointment made by the Ministry of Education

The Secretary to the Ministry of Education, Northern Province had made irregular appointments and reinstatements and Salary payment of Rs. 428,482 had been made in respect of the above mentioned officers.

- (v). Deployment of Teachers

Teachers had not been properly deployed according to vacancies available in the Schools for particular subjects. As a result, shortages of Teachers were observed in certain Schools for certain subjects whereas excess of Teachers were observed in certain Schools for the same subjects. Due to the improper deployment of Teachers, satisfactorily performance of G.C.E O/L and A/L examinations had not been achieved. If the deployment of teachers had been done properly taking in to consideration the vacancies for the subjects, better performance could have been achieved.

5.16 Utilization of Motor Vehicles

The following observations are made

- (i). Out of 1094 nos. of vehicles attached to the Provincial Council certain Ministries and Departments had not rendered the daily running charts and monthly performance

summaries in respect of their official vehicles to audit in due dates during the year under review in terms of Provincial Financial Rules 433.

- (ii). As per information furnished by the Provincial Department of Motor Traffic out of 1094 nos. of vehicles attached to the Northern Provincial Council, names of the registered owners of 30 nos. of vehicles were not known and 511 nos. of vehicles were not in the name of Northern Provincial Council.
- (iii). Most of the vehicles had been handed over to the garages for repairs for over periods ranging from one to five years by the Deputy Provincial Directors of Health Services, Mannar, Vavuniya, Kilinochchi, and Mullithivu.
- (iv). Daily running charts had not been properly maintained and official purpose of visits had not been recorded in the daily running charts by certain Ministries and Departments in terms of PFR 433.
- (v). Value of Motor vehicles donated by various parties had not been brought to the financial statements. As a result values of 92 nos. of vehicles of the Local Authorities in 02 districts had been understated in the Financial Statements.

District	No. of Vehicles
----- Jaffna	----- 87
Mullaitivu	-- 05 --
	== 92 ==

- (vi). Repairs of Vehicle Rs. 5,778,011

As per Circular No CA/1/17/1 dated 14 May 2010 of the Presidential Secretariat, the maximum no. of vehicles to be attached to the Governor’s Secretariat is 07. However over 20 Nos. of vehicles had been attached to the Governors Secretariat during the year under review. Further it was observed that 11 Nos. of vehicles had been repaired at a cost of Rs. 5,778,011 during the year under review. In this regard the following observations are made.

- (a). Procurement Procedures in terms of Section 2.14.1 of Procurement Guidelines had not been followed to repair the vehicles.
- (b). Approvals had not been obtained from the relevant authorities to incur expenditure over Rs. 200,000 in terms of Procurement Guidelines (Reference No. 9.3) dated 06 September 2010.
- (c). Certification from the Mechanical Engineer in terms of Circular No. 41/90 dated 10 October 1990 of the Ministry of Public Administration had not been obtained prior to the payment for repairs.
- (d). Payments had been made for repairs of vehicles without obtaining original invoices in 03 instances contrary to P.F.R. 107.

- (e). Major repairs had been made to 11 Nos. of new vehicles at a cost ranging from Rs. 88,954 to Rs. 1,997,696.
- (vii). The purpose of trips had not been indicated in the Running Charts and the officer used the vehicles had not signed the running chats in respect of several Ministries and Departments. Details are given below.

Ministry / Department	Vehicle No.	Purpose of visit not given (KM)	Officer who used the vehicle not signed (KM)
----- Ministry of Fisheries	NA 5505		864
	NA 7589		84
	HL 8553	30,700	
	NA 4760		258
	NA 7588		69
Provincial Public Service Commission	NPPF 2048	23,181	
Department of Cooperative Development	EPJN 9283	16,096	72
	NPPC 1494	34,704	24
Governor's Secretariat	JO 8604	33,450	
Ministry of Health	NA 4723	20,407	448
	HL 8546	29,274	
	WI 5387	9,322	
Department of Health Services	WPPB 7081	28,194	956
	NPJW 1153	45,428	1,587
	EPQN 0251	2,146	
	NPLW 0561	18,893	
	EPNA 6803	34,796	38
Department of Indigenous Medicine	EPPP 0590	24,217	
	EPPB 7418	40,604	
Department of Industries	NPPF 2048	6,567	
Ministry of Local Government	NA 7531	30,585	45
Department of Road Development	EPHM 2817	21,129	
Internal Audit Unit	227 - 5953	9,822	
Department of Buildings	32 - 7380	12,984	
		472,499	4,445
		=====	=====

5.17 Bank Reconciliations

The following observations are made.

- (i). Action had not been taken by one Ministry and six Departments on 15 Nos. of cheques valued at Rs. 39,796 issued but not presented for payment for over six months in terms of P.F.R 237.
- (ii). Unidentified receipts aggregating Rs. 227,492 had been observed in one Ministry and four Departments. Action had not been taken to identify these receipts and adjust the relevant accounts.

5.18 Supervision over the Affairs of the Local Authorities

In pursuance of provisions in Section 4.2 of the Eighth Schedule to the Thirteenth Amendment to the Constitution of Sri Lanka, the supervision of the Local Authorities of the Province had been devolved on the Provincial Council. The matters observed in audit of the financial statements of the Local Authorities were brought to the notice of the Heads of the respective Local Authorities. In this connection, following observations are made.

- (i). Out of the 34 Local Authorities in the Northern Province, only 23 Local Authorities had rendered annual accounts for the year under review for audit before 31 March 2014. Further, 11 annual accounts of the Local Authorities in the Northern Province in respect of the year under review had been rendered during the period from 01 April 2015 to 21 September 2015.
- (ii). Instances of qualified audit opinion on the final accounts of the Local Authorities are given below.

District	No. of qualified audit opinion expressed on the Financial Statements
-----	-----
Jaffna	17
Mulithivu	04
Kilinochchi	03
Vavuniya	05
Mannar	05

	34
	=====

- (iii). Common deficiencies observed in the Financial Statements of the Local Authorities

 - (a). Provincial Commissioner of Local Government had not taken adequate action on reports of the Local Authorities furnished by the Investigation Officers of the Provincial Commissioner.

- (b). Undue delays in preparation of bank reconciliation statements were observed.
- (c). Balances of control accounts did not agree with the balances shown in the subsidiary registers or records.
- (d). Members of several Local Authorities who were not entitled to use official vehicles had utilized the official vehicles.
- (e). Actual value of the land and buildings of the local Authorities had been understated in the financial statements as valuation of land and buildings had not been done and brought to accounts.
- (f). Revenue rates and taxes could not be increased due to failure to carryout assessment on properties over 25 years.
- (g). Although several lands owned by the Sabhas had been utilized for bus halts by the Northern Region Transport Board, no recoveries had been made from the Northern Region Transport Board.
- (h). Appointments had been made over the approved cadre by the Municipal Council, Jaffna and a sum of Rs. 17,453,550 had been paid as salaries of ad hoc staff.
- (i). Pension contribution of Rs. 137,776,442 made by the Local Government Services had not been remitted to the Director of Pensions by the Local Authorities in Jaffna and Mannar Districts.

6. Accountability and Good Governance

6.1 Action Plan

The Provincial Council, 05 Provincial Ministries and 31 Provincial Departments had not prepared Action Plans for the year under review.

6.2 Internal Audit

The following observations are made.

- (a) Governor's Secretariat had not been subjected to audit by the Provincial Internal Audit Department in terms of Provincial Financial Rule 99.
- (b) The Auditor General had not been consulted in preparation of the internal audit programme by the Provincial Internal Audit Department in terms of PFR 101.
- (c) No meaningful action had been taken by the Provincial Ministries and Departments on the several matters reported by the Provincial Internal Audit Department.

6.3 Audit and Management Committee

The Audit and Management Committee should meet at least once a quarter in terms of paragraph 06 of the Management Audit Circular No. DMA/2009(1) dated 09 June 2009. However several Departments had not conducted even a single meeting of the Audit and Management Committee during the year under review.

6.4 De-merger of the North East Provincial Council

The then North East Province was de-merged on 22 December 2006 based on the ruling given by the Supreme Court of the Democratic Socialist Republic of Sri Lanka. However, a Gazette Notification regarding the de-merger and the establishment of the Northern Provincial Council had not been published even up to 31 December 2014. The elected Northern Provincial Council was established on 25 October 2013 after completion of 7 years from the de-merger of the then North East Provincial Council.

6.5 Procurement Plan

(i). The Ministries, Departments and Institutions of the Provincial Council had not prepared Procurement Plan for the year 2014 in terms of the National Budget Circular No.128 dated 24 March 2006.

(ii). Common deficiencies in Procurement

(a). Procurements for Printing of Revenue Licence Forms for Rs. 856,800

300,000 Nos. of revenue licence forms to the value of Rs. 856,800 were procured based on less than five quotations by the Provincial Department of Motor Traffic contrary to section 2.14.1 of the Procurement Guidelines. Further it was observed that printing of the above forms had been awarded to Private Printing Institutions instead of Government Printers.

(b). Procurement of 02 Three Wheelers for Rs. 1,026,820

A sum of Rs. 1,026,820 had been paid by the Governor's Secretariat for the purchase of 02 three wheelers during the year under review.

In this connection, the following observations are made.

(i). Governor's Secretariat had made this payment through supplementary provision as no budgetary provision made in the annual estimate.

(ii). Details of requirements of three wheelers had not been furnished to audit.

(c). Vehicle Repairs Rs. 2,984,203

(i). 05 Nos. of vehicles had been repaired by the Governor's Secretariat to the value of Rs. 2,532,803 based on less than five quotations contrary to Section 2.14.1 of the Procurement Guidelines.

(ii). One vehicle had been repaired by the Provincial Internal Audit Unit to the value of Rs. 451,400 based on less than five quotations contrary to Section 2.14.1 of the Procurement Guidelines.

(d). Procurement of Desktop Computer Set for Rs. 598,800

Desktop computer set had been purchased by the Chief Secretary's Secretariat to the value of Rs. 598,800 based on less than five quotations contrary to Section 2.14.1 of the Procurement Guidelines.

6.6 Rendition of Annual Performance Reports by the Provincial Council and Local Authorities

(i). Annual performance reports of the Provincial Council in terms of paragraph 04 of the General Treasury Circular No. 1/2004 dated 24 February 2004 had not been prepared and rendered to audit.

(ii). Annual performance reports of the 34 Local Authorities functioning under Northern Provincial Council had not been prepared and submitted to the Provincial Council in terms of paragraph 4.3 of the General Treasury Circular No. 01/2004 dated 24 February 2004.

6.7 Budgetary Control

Funds had been transferred through 110 Nos. of supplementary provisions for Rs.3,544,514,044 under 28 Heads of various Ministries and Departments without obtaining approval from the Council in terms of Section 27 (3) (b) of the Provincial Council Act No. 42 of 1987. Further it was observed that the budget had not been used as an instrument of proper financial control.

6.8 Tabling of Annual Reports to the Assembly of the Provincial Council together with the Auditor Generals Reports

Eventhough the elected Northern Provincial Council was established on 25 October 2013 the Auditor General's reports on the financial statements of the Northern Provincial Council for the years 2007 - 2013 (7 years) had not been tabled in the Assembly of the Council up to 31 August 2015 in terms of Section 23 (2) of the Provincial Councils Act

No. 42 of 1987. As a result there was no mechanism adopted by the Provincial Council to rectify the matters pointed out in the Auditor General's reports since 2007.

6.9 Observations on unsettled Audit Paragraphs

(i). Unsettled Matters Reported in the previous year's Audit Report

No meaningful action had been taken by the relevant authorities to rectify the irregularities pointed out on the under mentioned procurements made during the previous year.

- (a). Purchase of 100 Laptops for Rs. 9,100,000.
- (b). Installation of Air conditioner to a Private Institution (Veerasingam Hall) for Rs. 6,145,688.
- (c). Procurement of 15 Tractor Tipper Trailers and 20 Bowsers for Rs. 8,575,000.
- (d). Procurement of New Toyato Car – Rs.9,950,000
- (e). Purchase of 700 Bicycles for Rs. 8,859,500.
- (f). Procurement of 10 buses for Rs. 32,200,000.
- (g). Payments made for construction of Houses Rs. 59,400,000.
- (h). Procurement of Galvanized Iron roofing sheet s – Rs. 18,400,800.
- (i). Procurement of furniture and office equipment for the Governor's Office – Rs. 7,006,430.
- (j). Procurement of 70 numbers of water tanks (1000l) for resettled families Rs. 894,000.
- (k). Procurement of 10 Advertisement Boards of size 8'x6' for Jaffna District Rs. 865,000.
- (l). Procurement of 200 water pumps with accessories – Rs. 6,580,000.
- (m). Printing of Agriculture Hand books for resettled farmers – Rs. 1,152,000.
- (n). Procurement of 05 Top land Heavy Duty Diesel pumps and accessories – Rs. 4,755,000.
- (o). Procurement of 10 combine harvesters (Model 4LZ-2-0), Rs. 15,300,000.
- (p). Procurement of 100 KVA Generators – Rs.2,647,128
- (q). Expenditure on old park development – Rs. 10,857,486.
- (r). Procurement of Galvanized Iron Roofing Sheets - Rs. 11,880,000
- (s). Procurement of 08 Ambulances - Rs. 42,000,000
- (t). Procurement of 10 Tractors and 05 Trailers - Rs. 13,115,000
- (u). Procurement of 15 Water Bowsers with Pumps - Rs. 4,425,000
- (v). Procurement of Computers and Photocopier - Rs.7,706,150
- (w). Procurement of 111 Nos. of Advertisement Boards (Hoardings) of size 8'x6' for the Jaffna District Rs. 10,010,900.
- (x). Printing of Revenue Licence Forms - Rs. 794,082.
- (y). Procurement of Galvanized Iron Roofing Sheets - Rs. 38,273,000.
- (z). Procurement of Bicycles - Rs. 10,528,400.
- (aa). Procurement of Cements Bags - Rs. 2,205,000.
- (bb). Vehicle Repairs - Rs. 3,992,898.

- (cc). Procurement of Computer Set, Laptop, Printers, etc. - Rs. 2,012,580.
- (dd). Supply of sewing machines by Provincial Department of Rural Development.
- (ii). Over payment of salaries to the re-employed Officers – Rs. 3,360,950
- (iii). Acquisition of Excess Land for Construction of Office of the Divisional Hospital and Medical Officer (MOH) Health Rs.3.75 million.

A sum of Rs. 3.75 million had been paid on 31 December 2011 by the Provincial Ministry of Health for acquisition of 15 acres of land to construct MOH office building at Poonahari eventhough 5 acres of land was already owned by the Department that had been donated by the Public in 7 August 2010. At the time of acquisition, market price per acre was Rs. 200,000 only and as such Rs. 750,000 had been over paid. Further valuation reports from the Chief Valuer of the Valuation Department had not been obtained prior to make the payment. It was also observed that the building had been constructed using land to the extent of less than one acre.

In this regard the Secretary of the Provincial Ministry of Health stated that the acquisition process was carried out by the District Secretary Kilinochchi, and Rs.3,750,000 was paid to the District Secretary Kilinochchi to keep in the deposit account of the District Secretary Kilinochchi. The acquisition process in terms of Section 8 of the Land Acquisition Act has been completed up to now. After the completion of the acquisition, the payment will be released by the Divisional Secretary Poonakary through the Kachcheri Kilinochchi. As our early decision the land 15 acres will be utilized for the purpose of Constructing District Hospital Poonakary, MOH Office Poonakary and further rest of the area of land will be used to construct Doctors and Nurses Quarters etc.

- (iv). Over payment of Rs. 210,240

- (a). Action had not been taken to deduct the overpayment of Rs. 210,240 made to the contractor due to excess quantities of building materials purchased over the required quantities to construct class rooms at the St. Therasha Girls College, Killinochchi.

- (b). A sum of Rs. 99,747 had been paid to the Technical Officer attached to the Zonal Education Office, Killinochchi as supervising charges of the class room building constructed at St. Therasa Girls College, Killinochchi. However, no evidence, were made available for audit to prove the work done relating to the supervising work carried out.

- (c). A sum of Rs. 1,075,850 had been collected as admission fees from the students by St. Thiresa Girls College, Killinochchi contrary to circular No. 23 dated 22 May 2013 of the Ministry of Education.

- (v). Misappropriation of the Admission fees Collection of Rs. 2.4 million of from 240 School Students

As per evidence made available to audit, a sum of Rs. 2.4 million had been collected from 240 students of the J/Hindu Primary School during the year 2013 contrary to the circular issued by the Ministry of Education. Further it was observed that the collected money of Rs. 2.4 million had not been brought to either in the bank account maintained by the School or the School Development Society. Collected money of Rs. 2.4 million had been misappropriated as no evidence were made available on audit for any expenditure incurred out of the collected amount.

6.10 Discharge of Environmental and Social Responsibilities

- (i). Solid Waste Management
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Garbage collected from 34 Local Authorities in the Northern Province has been destroyed through either burning or burying without implementing a compost project. In this connection a sum of Rs. 3.2 million had been spent by the Urban Council Chavakachcheri to construct buildings and a sum of Rs. 4.73 million had been spent by the Valikamam South Pradeshiya Sabha to construct a boundary wall for solid waste management and these assets had not been utilized for the intended purpose.

- (ii). Drinking Water Pollution at Chunnakam Power Station Area
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The Chunnakam water intake site is located very close to the Chunnakam fossil fuel power station and in year 2012 the National Water Supply and Drainage Board (NWSDB) had noticed fuel smell in Chunnakam water intake site.

In November 2013 NWSDB had analysed around 100 wells in the areas of Uduvil and Kopay DS divisions surrounding the Chunnakam power station, and had found that about 80% of the wells had been polluted with waste oil with the range from 0.33 to 19.40 mg/l (SLS limit 0.2mg/l – 1.0 mg/l). Further area office of the Ceylon Electricity Board (Chunnakam) also had tested 16 wells and that reports also indicated the oil grease contamination in the area.

Outcome from analysis are as fallows.

- Out of 150 wells analyzed.
- 109 (73%) wells have shown higher oil level than the standard while 07 (4%) wells were under the limit and 34 wells (23%) were not contaminated with oil and grease.
- The oil and grease contamination was observed within 1.5 km surrounding of the power station.

- The high oil and grease concentration layers were observed in the surroundings of the Chunnakam power station area.
- Oil spreading pattern was observed towards north, up to 1.50 to 2.0 km. Oil contaminants were spread further in North compared to the other direction which have a spread of less than 1.5 km.

In this connection no meaning full action had been taken by the Provincial Council over three years to overcome the badly affected drinking water problem in the Northern Province.

7. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (i). Personal Administration.
- (ii). Revenue Administration.
- (iii). Contract Administration.
- (iv). Utilization of Vehicles.
- (v). Control on Fixed Assets.
- (vi). Accounting
- (vii). Internal Audit.