

North Central Provincial Council – Year 2020

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the North Central Provincial Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act, No. 42 of 1987 and provisions of the National Audit Act, No. 19 of 2018. In terms of Section 23 (2) of the Provincial Councils Act and provisions in Sub-section 11 (1) of the National Audit Act, No. 19 of 2018, the summary report was issued on 20 December 2021 and the Detailed Management Audit Report was issued on 27 October 2021 in terms of Sub-section 11 (2) of the National Audit Act. This report is submitted to Parliament in terms of Article 154 (6) of the Constitution and Sub-section 10 (1) of the National Audit Act and a copy of the report is submitted to the Governor for tabling at the Provincial Council under Section 23(2) of the Provincial Councils Act, No.42 of 1987.

In my opinion, except for the effects of the matters described in the Paragraph of Basis for Qualified Opinion of this report, the financial statements of the North Central Provincial Council give a true and fair view of the financial position of the North Central Provincial Council as at 31 December 2020, and its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

The following observations were made.

Audit Observations	Comments of the Chief Accounting Officer	Recommendation
(a) A sum of Rs.1,780,000 had been indicated as expenditure payable under Capital Object -2109 in the schedule 04.2 of financial statements of the North Central Provincial Council of the year under review by the Provincial Ministry of Co-operative. However, the said liability had not been indicated in the statement of liabilities in the Format – NCP-PTG (5) in the financial statements of the year 2020 of the Provincial Ministry of Co-operative,	It is accepted.	The financial statements prepared by Ministries/Departments of the North Central Provincial Council and information of all other registers relating thereto should be similar to the information included in the financial statements of the Provincial Council.

thus observing an un-reconciled difference of Rs.1,780,000.

- (b) Even though the total of disposals of infrastructure, plant and equipment had been indicated as Rs.60,609,592 in the Note 06 to financial statements of the year under review, according to the reports on movement of non-current liabilities in the financial statements of Ministries / Departments, disposals thereof totalled Rs.50,283,576, thus observing an un-reconciled difference of Rs.10,326,016.
- (c) Imprest balances of Rs.27,860,867 not settled to the North Central Provincial Treasury relating to 04 provincial Ministries/Departments in terms of Note 01 to financial statements of the year under review, were brought forward over a period of 04 years. Out of those balances, a sum of Rs.26,405,861 representing 95 per cent brought forward over a period of 10 years, should have been settled by the Chief Ministry.

It is accepted.

Financial statements of the Provincial Council should be prepared by reconciling with financial statements prepared by Ministries/Departments of the North Central Provincial Council.

In terms of Provincial Financial Rules 259.2 and 259.3, imprest balances remained in ministries /departments as at 31 December should be resettled as at 10 January of the following year or on a date prescribed by the Provincial Treasury.

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

1.3 Responsibilities of Management for the Financial Statements

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

Management of the respective institutions including the Provincial Treasury is responsible for the financial reporting process of the Provincial Council.

As per sub-Section 16(1) of the National Audit Act, No. 19 of 2018, the North Central Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to prepare annual and periodic financial statements.

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

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

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

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

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

1.5 Comments on Financial Statements

1.5.1 Head 600-Governor's Secretariat - North Central Province

Audit Observation	Comments of Chief Accounting Officer	Recommendation
(a) In terms of paragraph 3.1 of the Circular No.PS/CSA/11-18 of 12 October 2018 on Public Expenditure Management of the Secretary to the President, the maximum number of official vehicles assigned to a Provincial Governor stands at 02 and if necessary, one motor vehicle can be provided for security purposes. Nevertheless, 05 motor vehicles were being utilized by 22 October 2020, the date of audit.	As the role of 05 Ministers and the role of the Governor have to be executed by the Governor himself, additional motor vehicles have to be utilized.	Motor vehicles should be utilized as per circular instructions of the Secretary to the President.
(b) There were 04 vacancies comprising 02 in the senior level. One in the secondary and one in the primary level in the Governor's Secretariat, North Central Province as at 31 December of the year under review. However, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.2 Head 601- North Central Provincial Council and Provincial Secretariat

Audit Observation	Comments of Chief Accounting Officer	Recommendation
Two vacancies existed in the senior level and secondary level each and 05 employees in the primary level were in excess in the North Central Provincial Council and Provincial Secretariat as at 31 December of the year under review. However, action had not been taken to make recruitments for vacancies and to implement appropriate measures for the excess cadre.	It is accepted.	Recruitments should be made for vacancies and the excess cadre be removed.

1.5.3 Head 602 – Provincial Public Service Commission - North Central Province

Audit Observation	Comments of Chief Accounting Officer	Recommendation
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Even though 02 vacancies existed in the senior level of the Provincial Public Service Commission, North Central Province as at 31 December of the year under review, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.4 Head 610 – North Central Provincial Chief Minister and the Ministry of Law & Order, Finance and P

Audit Observation	Comments of Chief Accounting Officer	Recommendation
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(a) An imprest balance of Rs.26,405,861 remained unsettled as at 31 December 2020 relating to the North Central Provincial Chief Ministry was brought forward for over a period of 10 years.	It is accepted.	In terms of Provincial Rules 259.2 and 259.3, imprests balances remained as at 31 December should be resettled.
(b) Agreements had been entered into for a value of Rs.15,797,500 on 23 March 2016 by the Chief Secretary with a private supplier for preparing a documentary video programme of technical standard, designing a book of standard with attractive pictures, and creating a website with formal information with a view to promoting tourism in the North Central Province. Even though a sum of Rs.12,144,500 of the said contractual amount, had been paid by 26 December 2016, the supplier had not completed this project even by 10 May 2021 and handed over to the Provincial Council so as to apply for the promotion of tourism in the North Central Province.	It is accepted. Complaints have been made to the Criminal Investigation Department.	Expedition of taking legal action, conducting an internal inquiry on violation of procurement guidelines and provisions should be made to avoid such shortcomings.
(c) Agreements had been entered into for a sum of Rs.39,791,666 by the Secretary to the Chief Ministry with a contractor for the construction of the Principal's quarters and three storied building and for minor and major repairs of the Aluthwewa Kumara Maha Vidyalaya. As estimates had been prepared without a	These variances have been resulted in due to preparation of estimates as per the Type Plan provided relating to the project "Nearest School is the Best School"	Estimates should be prepared after carrying out a feasibility study and by preparing buildings plans and by identifying the requirement of the school. Responsibility

feasibility study, sums of Rs.3,876,335 and Rs.10,926,181 had been paid for minor and major repairs and major constructions respectively under variable works and those amounts had been 59 per cent and 33 per cent out of the total estimated values of Rs.6,521,836 and Rs. 33,269,830 respectively.

should be taken for avoiding such weaknesses.

- (d) The Secretary to the Chief Ministry had entered into an agreement on 05 April 2017 with a contractor for a sum of Rs.542,019,300 to design plans and build the auditorium of Palugasdamana Maha Vidyalaya by carrying out procurement activities, despite not having a requirement of an auditorium with a seating capacity of over 4,000 and provision therefor. Even though the Procurement Committee had decided to enter into agreements and implement step by step based on the Cabinet approval obtained for deviating from provisions of the Provincial Financial Rules 418.2, agreements had been entered into for executing the whole project for a sum of Rs.542,019,300. Moreover, mobilization advances of Rs.100,000,000 had been paid on 28 April 2017. However, constructions had not been completed even by 07 May 2021.
- As per Provincial Financial Rule 46.2.2, when the total cost estimate exceeds the annual provision, there is a possibility of entering into liability.
- No authority is allowed to give permission for incurring expenditure due to failure to include a total cost estimate relating to this Project in the annual cash statement and due to lack of provision. As such, an inquiry should be held thereon.
- (e) According to bills relating to construction of the multipurpose building of the Negama Muslim Vidyalaya under the project "Nearest School is the Best School", the value to be paid to the contractor is Rs.7,663,843. However, a sum of Rs.9,695,499 had been paid in the year 2017. Accordingly, an excess payment of Rs.2,031,656 had been made to the contractor and the Value Added Tax of Rs.320,731 had been paid for the said overpayment.
- When adjusting the Value Added Tax, the excess payment made to the contractor had been Rs.1,410,374. Accordingly, it will be reported to Audit after recovery of the said money from the contractor.
- Excess payments should be recovered. An inquiry should be held against the persons responsible therefor.

- (f) Agreements had been entered into by the Secretary to the Chief Ministry with a contractor on 28 August 2017 for a sum of Rs.10,298,211(Excluding VAT) for the construction of the canteen of the Palugasdamana Maha Vidyalaya under the project "Nearest School is the Best School", and a sum of Rs.3,089,463 representing 30 per cent of the said contractual amount had been paid as mobilization advances on 31 August 2017. In terms of the agreement, construction works should be completed and handed over on 28 December 2017. However, action had not been taken by 10 May 2021 even to commence the construction works of the building. Moreover, advance bond had not been cashed and thereby, the mobilization advance had not been recovered and after lapse of about 03 years, the said advance had been set off from moneys to be paid for other contracts carried out by the contractor
- The said advance was recovered in May 2020 from payments relating to two other contracts carried out by the contractor.
- The contractor should be blacklisted and the contract should be awarded to another contractor under the procurement process.
- (g) Agreements had been entered into in the year 2017 to a value of Rs.4,943,744 with a contractor for repairs of 04 buildings of Nallachchiya Primary School under the project "Nearest School is the Best School". However, repairs of the Teachers' quarters and another building had been abandoned halfway and repairs of those 02 buildings had not been commenced again even by 10 May 2021. However, no any legal action had been taken against the said contractor in terms of agreements.
- Activities of the Project were sluggish and its progress is 75 per cent at present.
- Action should be taken in terms of agreements to charge liquidated damages for the delay in constructions.

- (h) The following matters were revealed at the inspection carried out on 07 April 2021 in respect of the canteen constructed by spending a sum of Rs.11,840,935 and the Teachers' hostel by spending a sum of Rs. 8,700,703 in the A/Kekirawa Thirappane Mahanama Vidyalaya in the years 2017 and 2018 by the Chief Ministry.
- (i) Even though works had been completed by December 2017, the said contract had not been handed over properly. Accordingly, it remained unusable for over a period of 03 years. As such, the said area was overgrown with weeds in a manner of obstructing entrance to the Teachers' hostel, animals inhabiting the hostel and 75 ceiling panels of 2 feet in width and 2 feet in length of the ceiling of the canteen and 04 tempered glasses of 10 feet 3 inches in length and 9 feet in width which were fixed outside, had slipped out.
- (ii) A sum totalling Rs.5,538,503 had been paid for 13 items under additional works, not approved by the Secretary to the Chief Ministry, North Central Province without completing 32 items of work at contractual estimate value of Rs. 2,774,170 relating to the construction of the canteen. Accordingly, a sum totalling Rs.2,515,767 had been paid in excess of contractual amount estimated for the construction of the canteen and it was an increase of 27 per cent over the original estimate.
- (iii) Constructions had been completed by abandoning 46 items of work totalling Rs.3,922,999 representing 32 per cent of the contractual estimate of Rs.12,180,508 entered into by the Chief Ministry for the purpose of construction of the Teachers' hostel on 02 December 2016.
- Replies will be obtained from the Engineer, in charge of the site and submitted later.
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- Action should be taken to take over the Teachers' hostel properly and to utilize it by completing defects.
- Disciplinary action should be taken against the officers who had carried out unapproved additional works and made payments therefor.
- A formal inquiry should be held in respect of inclusion of 46 items of work totalling Rs.3,922,999 without identifying necessary items of work.

- (i) The following matters were revealed in audit carried out in respect of the drainage system constructed around the playground of the A/Kekirawa Thirappane Mahanama Vidyalaya by spending Rs.13,790,629 by the Chief Ministry.
- (i) The quantity of concrete used under the Items 2.1 and 2.2 of the estimate had increased by 92 per cent and 30 per cent respectively. As such, the contractual value of Rs.11,977,650 entered into for the construction of the drainage system around the playground, had exceeded by 15 per cent. Nevertheless, payments had been made therefor without obtaining approval of the Secretary to the Chief Ministry, North Central Province for additional works
- Replies will be obtained from the Engineer, in charge of the site and submitted later.
- Disciplinary action should be taken against the officers who had prepared estimates with shortcomings, carried out unapproved additional works and made payments therefor.
- (ii) The drainage system was constructed only on both sides of the boulder in a manner of protruding the top of the boulder, which is located naturally at one end of the upper right corner of the playground and as such, the water flow from personal lands located above the playground had collected to the playground and as a result, certain places of the playground had become muddy.
- Replies will be obtained from the Engineer, in charge of the site and submitted later.
- Defects of the drainage system should be completed so as not to retain water in the playground, flew from personal lands located above the playground.
- (iii) Even though a sum of Rs.2,766,280 had been paid for shuttering in the construction of the drainage system, large cracks and protruding concrete parts could be seen on both sides of side walls of the said system and water from outside was leaking from the bottom of walls and cracked places into the drain.
- Replies will be obtained from the Engineer, in charge of the site and submitted later.
- A report should be obtained from the Engineer, in charge of the site before making payments and defects should be corrected.

- (j) The following matters were revealed in audit carried out on 07 April 2021 in respect of the construction of the fence around the playground and the gate of the A/Kekirawa Thirappane Mahanama Vidyalaya, implemented by the Chief Ministry to a contractual value of Rs.4,859,999 in the year 2017 under provision of the World Bank Project.
- (i) Bidding documents issued by the Chief Ministry to bidders had been prepared separately for different items of work and the Technical Evaluation Committee had made recommendations only considering total values of bidding documents without evaluating information mentioned in the said documents in detail to award the contract to the bidder who had submitted the lowest quotation.
- (ii) A total sum of Rs.633,695 had been paid at a rate of Rs.767 per square metre for 826.2 square metres of Chain Link Mesh of gauge 10, and 1.52 m in height in the construction of chain link fence. However, according to the Quality Control Certificate obtained by Audit Officers together with relevant Technical Officers, the mesh used therefor was gauge 12 in size. As such, a sum of Rs.253,478 had been overpaid therefor. This mesh was badly torn and damaged in many places due to lack of estimated quality.
- (k) The contract of renovation of the circuit bungalow belonging to the Provincial Department of Ayurveda had been awarded to 02 community based organizations for a contractual value of Rs.3,898,452 under 02 stages in the year 2020. However, in terms of Financial Regulation 20, a total cost estimate had not been prepared. Moreover, in terms of Public Finance Circular No.01/2012 of 05 January 2012 and Guideline 3.9.1 of Procurement Guidelines, the contract had
- It is accepted.
- In case of any loss, it should be assigned to members of the Technical Evaluation Committee.
- Replies will be obtained from the Engineer, in charge of the site and submitted later.
- The said fence should be reconstructed by using mesh of prescribed standard.
- It is accepted.
- A total cost estimate should be prepared and the contract should be awarded by evaluating the financial capacity of community based organizations.

been awarded without evaluating the financial capacity of community based organizations.

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| <p>(l) Even though a sum of Rs.15.17 million had been spent for 05 construction projects by 31 December 2020 at an estimated cost of Rs.32.77 million, made by the Chief Ministry, the physical progress of those projects ranged between 35 per cent and 55 per cent.</p> | <p>It is accepted.</p> | <p>Action should be taken to identify projects of which the physical progress is at low level and to complete them expeditiously.</p> |
| <p>(m) The Secretary to the Chief Ministry had entered into agreements on 13 March 2017 with a contractor for a value of Rs.41,451,987 for the construction of a three storied building and the primary learning resource centre of the A/Kekirawa Thirappane Mahanama Vidyalaya. The following matters were revealed in audit carried out thereon on 07 April 2021.</p> | | |
| <p>(i) According to regulations of Condition No.51 for contracts of ICTAD-SBD-2007 second edition and prescribed procedures relating thereto, recommendations should be obtained from the Engineer, In Charge of supervision of the relevant project, for the payment of mobilization advances. However, mobilization advances of Rs.14,508,196 (Including VAT) had been paid to the contractor without obtaining such recommendation. However only several foundation pits had been dug in the construction site by the contractor and abandoned the project halfway.</p> | <p>Mobilization advances had been granted in consultation with the Chief Minister.</p> | <p>Legal action should be taken against the officers who had paid advances and the contractor who had not completed constructions in terms of the agreement.</p> |
| <p>(ii) The advance bond of Rs.12,435,596 and the performance bond of Rs.2,072,600 were only valid up to 31 March 2018 and the Regional Engineer, Kekirawa had informed the Secretary to the Chief Ministry that constructions had been abandoned halfway by the contractor, 58 days before expiry of the said validity period. However, the responsible officers</p> | <p>Securities could not be renewed within the due period due to heavy workload and the untrained staff.</p> | <p>Disciplinary action should be taken against the officers who had not taken action to cash the advance bond and the performance bond immediately after informing that the contractor had</p> |

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| | had not taken action to cash those securities before expiry of validity period of securities. | | abandoned constructions halfway. |
| (iii) | As an old building of 80x20 feet of the school had been demolished for the construction of this three storied building, the class room requirement of students could not be fulfilled. | Comments had not been made. | Action should be taken to construct the new building expeditiously and to fulfil the class room requirement of students. |
| (n) | The contractor who had entered into agreements for a sum of Rs.4,542,277 for the construction of the pavilion of the A/Kekirawa Thirappane Mahanama Vidyalaya, implemented by the Chief Ministry under the project "Nearest School is the Best School", had commenced constructions in the year 2017. However, the said project had been abandoned halfway only by completing a part of the project valued at Rs.1,086,085 and the sum of Rs.1,086,085 paid therefor had become fruitless. Further, a sum of Rs.63,700 had been paid for work not done as well. | Constructions of the pavilion could not be completed due to inadequate provision allocated for the playground. | Constructions should be completed by continuing the project and the amount paid for work not done, should be recovered from officers responsible therefor. |
| (o) | The Secretary to the Chief Ministry had entered into agreements with a contractor on 15 May 2017 for a value of Rs.5,061,771 to develop the land with playground of the A/Kekirawa Thirappane Mahanama Vidyalaya. A sum totalling Rs.7,124,767 had been paid to the contractor in 03 instances therefor and in addition to the estimated number of cubes of soil, 5,770 cubes had been supplied. The said project had been abandoned halfway without completing works even by 07 April 2021, the date of audit and as such, the school children had been deprived of the opportunity of playing in the playground for over a period of 05 years. Moreover, the sum of Rs.7,124,769 paid for the development of this playground had become fruitless. | Constructions of the playground could not be completed due to inadequate provision made for the project. | In case of inadequate provision, agreements should not be entered into in terms of Provincial Financial Rule 46.1. As such, legal action should be taken against the officers who are responsible therefor and the contractor. |

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| (p) | Double payments had been made in one instance on originals of documents such as measuring sheets, work completion report and the summary of payment of bills and in another instance, on photocopies of those documents for constructions carried out on provision of the project "Nearest School is the Best School". It was observed at the sample audit test checks that the sum obtained fraudulently through double payments by 26 February 2020 had been Rs.8,608,290. Recovery of the said full amount and taking disciplinary action against officers who had made double payments, had not been completed. | Excess moneys made on double payments were being recovered and disciplinary inquires against the relevant officers have been commenced. | The sum of Rs.8,608,290 obtained fraudulently should be recovered immediately and disciplinary inquires against the relevant officers should be expedited. |
| (q) | Mobilization advances of Rs.9,066,775 had been paid for 02 contracts of constructions of which the contractual amount was Rs.21,946,785 and implemented under the project "Nearest School is the Best School". However, it was observed at the sample audit test checks that works had not been completed in terms of agreements. However, action had not been taken to recover the said advances and to take legal action against the contractors who had not completed works in terms of agreements. | It is accepted. | Action should be taken to recover advances paid for contracts of which works had not been completed in terms of agreements and to take legal action against the contractors who had not completed works in terms of agreements. |
| (r) | Forty four (44) vacancies comprising 04 in the senior level, 37 in the secondary level and 03 in the primary level existed in the Chief Ministry North Central Province as at 31 December of the year under review. However, action had not been taken to make recruitments for those vacancies. | It is accepted. | Vacancies should be filled. |

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(s) Financial Regulation 571(2) and (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The balance of the General Deposit Account relating to the Chief Ministry, North Central Province as at 31 December 2020, had been Rs.224,682,194 and action in terms of Financial Regulations had not been taken to refund deposits amounting to Rs.162,554,132, lapsed over a period of 02 years or if not, to credit to the revenue.	It is accepted.	In terms of Financial Regulations, inquiries should be made relating to deposits lapsed over a period of 02 years from depositors and refunds made or credited to the Revenue.
(t) Letter No. CSA/1/4 of 26 January 2017 of the Secretary to the President Paragraph 02	If the number of the group proceeding abroad is less than 05, approval of the Treasury should be obtained. However, the Senior Assistant Secretary of the Chief Ministry had not obtained the approval of the Treasury for	Action was taken according to provisions of the Establishments Code.	Appropriate measures should be taken in respect of violation of provisions in the circular and provisions should be made to avoid a repetition of such violations.

the tour in Japan in the year 2018.

Paragraph 03	<p>If the number of the group proceeding abroad is more than 05, approval of the Treasury as well as of the Presidential Secretariat should be obtained. Even though 06 officers each had participated in tours in France, Germany and Singapore in the year 2017, the Chief Ministry had not obtained the approval of the Presidential Secretariat for the said 02 tours.</p>	<p>Action was taken according to provisions of the Establishments Code</p>	<p>Appropriate action should be taken in respect of violation of provisions in the circular and provisions should be made to avoid such violations.</p>
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(u) **Chief Minister’s Fund, North Central Province**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>The administration and the management of the Chief Minister's Fund had been delegated to its Governing Board, which consisted of 06 members including the Chief Minister and two Members of the Opposition by Section 3 (1) of the Chief Minister's Fund Statute No. 5 of 1992. Since the Statute had not specified the procedure to be followed after the dissolution of the Provincial Council, the Fund remained inactive from the date of dissolution of the Provincial Council.</p>	<p>It is accepted.</p>	<p>The procedure to be followed after the dissolution of the Provincial Council should be specified in the Statute.</p>

1.5.5 Head 611 - Department of Local Government- North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) An imprest balance of Rs.80,000 which remained unsettled as at 31 December 2020 relating to the Department of Local Government, North Central Province, was brought forward for over a period of 01 year.	It is accepted.	In terms of Provincial Financial Rules 259.2 and 259.3, proper steps should be taken by holding an inquiry in respect of imprest balances remained as at 31 December, not settled as at 10 January of the following year or on a date prescribed by the Provincial Treasury.
(b) Even though it had been mentioned in preliminary reports of inquiry that a loss totalling Rs. 2,498,180 had occurred due to accidents of 03 motor vehicles belonging to the Department of Local Government, North Central Province in 05 instances in the years 2019 and 2020, action in terms of North Central Provincial Financial Rules 54.1.6 had not been taken to recover the said losses by identifying persons responsible for those accidents.	It is accepted.	Action in terms of North Central Provincial Financial Rules 54.1.6 should be taken to recover the said losses by identifying persons responsible for those accidents.
(c) Fifty five (55) vacancies comprising 01 in the senior level, 07 in the tertiary level, and 47 in the secondary level existed in the Department of Local Government, North Central Province as at 31 December of the year under review. However, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.6 Head 612 - Provincial Department of Education-North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) A loan balance totalling Rs.7,948,736 relating to 46 officers who had gone on transfer to Ministries/Departments of the North Central Provincial Council, 08 officers who had gone on transfer to Provincial Ministries and Departments of other Provincial Councils, 03 officers who had deceased while in the service, 13 officers who had retired, an officer who had left the service and an officer who had been interdicted as at 31 December 2020, had been outstanding for a period between 03 months and 07 years in the Advances to Public Officers Account bearing Item No. 61211(Office Staff) of the Provincial Department of Education, North Central Province. Moreover, A loan balance of Rs.1,123,933 relating to 08 officers who had transferred in from other ministries/departments of the North Central Provincial Council had remained outstanding for a period between 03 months and 07 years without taking action to settle it. However, action in terms of provisions in Sections 1:6, 1:7, 4:2:2, 4:2:4, 4:2:5, 4:5, 4:6 and 6:3 of Chapter XXIV of the Establishments Code, provisions in paragraph 1.1.7 of the National Budget Circular No.118 of 11 October 2004 and provisions in Section 03 (e) of the Public Finance Circular No.05/2019 of 27 June 2019 had not been taken to settle those loan balances.</p>	<p>It is accepted.</p>	<p>Loan balances should be settled in terms of provisions in the Establishments Code, National Budget Circular No.118 of 11 October 2004 and provisions in Section 03(e) of the Public Finance Circular No.05/2019 of 27 June 2019.</p>
<p>(b) A loan balance totalling Rs.48,637,496 relating to 101 officers who had gone on transfer to Ministries/Departments of the North</p>	<p>It is accepted.</p>	<p>Loan balances should be settled in terms of provisions in the Establishments Code,</p>

Central Provincial Council, 481 officers who had gone on transfer to Provincial Ministries and Departments of other Provincial Councils, 119 officer who had gone on transfer to Ministries, Departments, Corporations and Boards of the Central Government, 19 officers who had deceased while in the service, 180 officers who had retired, 19 officers who had been interdicted, 18 officers who had left the service and an officer who had proceeded abroad as at 31 December 2020, had been outstanding for a period between 03 months and 32 years in the Advances to Public Officers Account bearing Item No. 61201(School Staff) of the Provincial Department of Education, North Central Province. Moreover, a loan balance of Rs.924,670 relating to 03 officers who had transferred in from other Ministries/Departments of the North Central Provincial Council and 14 officers who had transferred in from Ministries/Departments of other Provincial Councils had remained outstanding for a period between 02 months and 22 years without taking action to settle it. However, action in terms of provisions in Sections 1:6, 1:7, 3:18, 4:2:2, 4:2:4, 4:2:5, 4:5, 4:6 and 6:3 of Chapter XXIV of the Establishments Code, provisions in paragraph 1.1.7 of the National Budget Circular No.118 of 11 October 2004 and provisions in Section 03(e) of the Public Finance Circular No.05/2019 of 27 June 2019 had not been taken to settle those loan balances.

National Budget Circular No.118 of 11 October 2004 and provisions in Section 03(e) of the Public Finance Circular No.05/2019.

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| (c) | A sum totalling Rs.603,450 received for payment of bursaries to school children belonging to Kekirawa, Thambuththegama and Galenbindunuwewa education zones had been retained in the General Deposit Account for a period from 06 months to 21 months without taking action to pay for students or to return. | Bursaries have been remained save due to absence of students with the GCE(O/L) and (A/L) Examinations close at hand. | Action should be taken to pay bursaries which received, for students. |
| (d) | The percentage of failure in subjects such as G.C.E.(O/L) English and Mathematics stood at high values such as 56,53,49 per cent and 41,37,35 per cent respectively in the year 2019 in schools belonging to Palugaswewa, Palagala, Thirappane Divisional Education Offices in the Kekirawa Education Zone. A practical procedure had not been introduced to minimize the failure percentage of students. | It is accepted. | A practical procedure should be introduced to minimize the percentage of failure of students in English and Mathematics. |
| (e) | Out of the sum of Rs.226,000 granted by the Welikanda Pradeshiya Sabha to the Dimbulagala Zonal Education Office to offer bursaries for 61 students who had passed the Advanced Level Examination in the year 2018 and qualified for universities from schools in the Welikanda Division, a sum of Rs.66,000 had been retained in the Deposit Account even by 30 June 2021 without taking action to pay for students. | It is accepted. | Further action should be taken by calling for explanation for failure to pay bursaries offered by the Pradeshiya Sabha for students qualified for universities. |
| (f) | Action had not been taken to carry out surveys on lands belonging to Kekirawa Zonal Education Office, 05 Divisional Education Offices, Kekirawa Teachers' Centre and 125 schools and to take over to the Provincial Department of Education, North Central Province. Moreover, permits/deeds had not been obtained for lands relating to 78 schools | It is accepted. | Permits/deeds should be obtained for all lands belonging to schools and offices. |

belonging to the Hingurakgoda Zonal Office.

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| (g) There were 201 vacancies in certain approved posts and 76 excess in certain posts in the staff of the Provincial Department of Education, North Central Province as at the end of the year under review. | It is accepted. | Steps should be taken to fill vacancies and to remove the excess cadre. |
| (h) Twenty eight teachers in schools belonging to Thambuththegama, Kekirawa, Hingurakgoda, Polonnaruwa and Galenbindunuwewa Education Zones, had been released to other departments and institutions of the Government during the period from the year 1993 to the year 2020. Moreover, a sum of Rs.51,546,748 had been paid as salaries to those teachers by the Provincial Department of Education, North Central Province without obtaining attendance sheets from institutions in which they were serving. However, the said salaries had not been reimbursed from relevant institutions. | It is accepted. | Action should be taken to suspend the release of teachers for other purposes, recall for teachers released and to reimburse salaries paid to them. |
| (i) A number of 194 teachers who have been serving for a period from 04 years to 31 years in schools belonging to Thambuththegama, Kekirawa, Polonnaruwa, Dimbulagala and Kebithigollewa Education Zones, had not been confirmed in the service due to reasons such as obtaining special sick leave during probation, difference in the name in the letter of apprentice appointment, failure or delay in providing probation reports, shortcomings in medical reports, failure in confirming results in certificates such as Advanced Level, Graduation and in Teacher Trainee Certificates. | It is accepted. | Shortcomings in documents should be rectified expeditiously and they should be confirmed in the service soon after the probation period. |

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| (j) | A number of 115 teachers had been appointed as acting principals without appointing principals with grades who are serving as Deputy Principals in schools in Thambuththegama, Kekirawa and Galenbindunuwewa Education Zones as principals in schools where vacancies existed. | It is accepted. | Principals with grades should be appointed to schools where vacancies existed and teachers should be directed for teaching activities in schools. |
| (k) | Even though there were 2,515 vacancies and 93 excess in certain approved posts in the school staff of the Provincial Department of Education, North Central Province as at the end of the year under review, action had not been taken to make recruitments for those vacancies or to remove the excess cadre. | It is accepted. | Recruitments should be made for vacant posts and excess cadre should be removed. |
| (l) | Even though 193 teachers belonging to provincial schools in the Kekirawa Education Zone, are serving in the same school for over a period of 05 years, steps had not been taken to transfer them to schools where vacancies existed. | It is accepted. | According to the Transfer Scheme, teachers should be transferred between schools. |
| (m) | The approved cadre for posts of Lab Assistant, Pasal Karya Sahayaka and the Watcher for schools in the Kebithigollewa Education Zone stood at 104. However, 71 employees had been deployed in the service exceeding the said number and salaries had been paid for them. | It is accepted. | Excess employees should be relocated to other zones where vacancies existed. |
| (n) | There were 102 and 52 teacher vacancies and 202 and 24 teachers in excess according to subjects in Sinhala medium and Tamil medium schools respectively in the Galenbindunuwewa Education Zone and attention had not been drawn towards the management of human resources efficiently by appointing teachers in excess to schools with vacancies. | It is accepted. | Excess teachers should be relocated to schools where vacancies existed. |

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(o) Financial Regulation 571(2) and (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The balance of the General Deposit Account relating to the Provincial Department of Education, North Central Province as at 31 December 2020, had been Rs.10,909,412 and action in terms of Financial Regulations had not been taken to refund deposits amounting to Rs.2,431,755, lapsed over a period of 02 years or if not, to credit to the revenue.	It is accepted.	In terms of Financial Regulations, inquiries should be made relating to deposits lapsed over a period of 02 years from depositors and refunds made or credited to the Revenue.
(p) Section 13.3 of Chapter II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	An acting appointment should be made as a temporary action only and until a substantive appointment is made. However, 35 teachers had been deployed in the service as acting Principals for the posts of Principal in the Dimbulagala Education Zone during a period from 1 ½ to 25 years.	It is accepted.	Full-time officers should be appointed for permanent posts.

- (q) Rule No.147 of the Procedural Rules of the Public Service Commission
- The period that a Public Officer could be temporarily released from the public service during his entire career shall be subject to a maximum of 05 years. However, 08 teachers in the Hingurakgoda and Polonnaruwa Education Zones had been released to the service of the Forces and to personal staffs of Members of Parliament during a period from 06 to 16 years.
- It is accepted.
- The released officers should be summoned back.

(r) **North Central Provincial Education Development Fund**

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
<p>No any programme had been implemented in the year under review by the Governing Board for the following key functions of the Education Development Fund.</p> <p>(i) Plan and implementation of development projects for uplifting quality education of school children</p> <p>(ii) Establishment of a scholarship system for continuous education for children of low income families and talented children and for talented children who had obtained outstanding results at examinations of national level</p> <p>(iii) Working towards further motivation of education of school children</p>	<p>Had not commented.</p>	<p>The Governing Board should implement programmes for performance of key functions of the Fund.</p>

1.5.7 Head 620 – Ministry of Agriculture, Agro Product and Marketing, Animal Product and Animal Health and Fisheries - North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) An imprest balance of Rs.1,072,848 remained unsettled as at 31 December 2020 over a period of 06 years relating to the Ministry of Agriculture – North Central Province	It is accepted.	In terms of Provincial Financial Rules 259.2 and 259.3, proper steps should be taken to carry out an inquiry relating to unsettlement of imprest balances remained as at 31 December, on 10 January of the following year or on a date prescribed by the Provincial Treasury.
(b) Thirty two (32) vacancies comprising 30 in Secondary Level and 02 in Primary Level existed in the Ministry of Agriculture – North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.8 Head 622 –Department of Animal Production and Health - North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Ninety eight (98) vacancies comprising 17 in Senior Level, 04 in Tertiary Level, 48 in Secondary Level and 29 in Primary Level existed in the Department of Animal Production and Health - North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.9 Head 630 - Ministry of Health, Indigenous Medicine, Social Welfare, Probation and Childcare Services, Environmental and Council Affairs - North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- Sixteen vacancies (16) comprising 04 in Senior Level and 11 in Secondary Level and one in Primary Level existed in the Ministry of Health – North Central Province. However, action had not been taken to make recruitments for those vacancies.	----- It is accepted.	----- Vacancies should be filled.

1.5.10 Head 631- Department of Health Services - North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Dialysis Units of the two hospitals in Thambuttegama and Kebithigollewa have been peoplized. However, the operations thereof could not be commenced even by 31 December 2020 due to management weaknesses. Accordingly, no treatment whatsoever had been given to kidney patients even up to the date of audit by funds of Rs.90.8 million including 08 dialysis machines provided to these two hospitals and the said buildings and equipment had remained idle.	----- It is accepted.	----- Management weaknesses which affected the commencement of operations of the said Dialysis Units should be overcome and treatment for kidney patients therefrom should be promptly given.
(b) In terms of paragraph 04 (xiv) of Circular No.02/19/2009 dated 27 March 2009 of the Secretary to the Ministry of Health Care and Nutrition, if the additional service allowance of each officer exceeds the monthly salary limit, the approval of the Secretary to the	----- It is accepted and action will be taken accordingly.	----- If the additional service allowance of each officer exceeds the monthly salary limit, the approval of the Secretary to the Ministry of Health should be obtained

Ministry of Health should be obtained therefor. However, the Department of Health Services – North Central Province had not complied with the said provisions from the year 2009 up to 31 December 2020.

therefor in terms of Circular No.02/19/2009 dated 27 March 2009 of the Secretary to the Ministry of Health Care and Nutrition.

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| (c) | A sum of Rs.1,469,042 had been paid by the Regional Office of the Director of Health Services – Anuradhapura for repair of vehicles by using new spare parts in 11 instances. However, spare parts such as engine heads, radiator coolers, air condition coolers etc. removed in repairs had not been handed over to the Store Keeper. | It is accepted. | After repairs, the removed vehicle parts should be taken over by stores. |
| (d) | Action had not been taken to fill 1,032 vacancies existed in the hospital staff comprising 24 posts of specialist medical officers and 124 posts of other medical officers and 64 posts in the office staff of the Department of Health Services-North Central Province. | It is accepted. | Vacancies should be filled. |

1.5.11 Head 632 – Department of Ayurveda –North Central Province

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
(a) The objectives of the Department of Ayurveda –North Central Province are providing medicine of standard quality by preventing shortage of medicine through herbal plantation, establishment of 10 herbal gardens in the Province and development of herbal plantation and manufacture of Ayurvedic medicine. However, it was revealed by the payments of Rs.46 million and Rs.34 million in the years 2019 and 2020 respectively to external suppliers	It is accepted and action will be taken to correct it.	The expenditure incurred on purchase of medicine should be minimized by manufacturing medicine of standard quality through herbal plantation.

for purchase of dry herbs, that the said objectives have not been achieved.

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| (b) | In the preparation of Annual Estimates and the Action Plan for the year under review by the Provincial Ministry of Health and the Provincial Department of Ayurveda, action had not been taken to achieve sustainable development goals and to allocate provision so as to achieve them. | It is accepted. | Action should be taken to achieve sustainable development goals and to allocate provision so as to achieve them. |
| (c) | One hundred and seventy eight (178) vacancies comprising 21 in Senior Level, 01 in Tertiary Level, 109 in Secondary Level and 47 in Primary Level existed in the North Central Provincial Department of Ayurveda as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies. | It is accepted. | Vacancies should be filled. |

Reference to Laws, Rules and Regulations -----	Non- compliance -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(d) Financial Regulations 571(2) and (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The balance of the General Deposit Account relating to the North Central Provincial Department of Ayurveda as at 31 December 2020 was Rs.8,097,102 and action had not been taken in terms of Financial Regulations to refund or in case of failure to do so, to	It is accepted.	In terms of Financial Regulations, inquiries should be made relating to deposits lapsed over a period of 02 years from depositors and refunds made or credited to the Revenue.

credit to the Revenue, relating to deposits of Rs.20,826 lapsed over a period of 02 years.

1.5.12 Head 633 –Department of Probation and Childcare Services - North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Seventy four (74) vacancies comprising 01 in Tertiary Level, 39 in Secondary Level and 34 in Primary Level existed in the Department of Probation and Childcare Services - North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.13 Head 634 – Department of Social Services – North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Failure in filling 28 vacancies in the 09 posts of Social Services Officer, Management Assistant, Female Nurse, Attendant, Cook and Sanitary Labourer in the Shanthi Elders’ Home belonging to the Provincial Department of Social Services, had been a hindrance in providing quality service.	It is accepted.	Vacancies should be filled.

1.5.14 Head 640 – Ministry of Co-operative, Trade and Food, Transport, Sports and Youth Affairs and Industries Development – North Central Province

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
The revenue estimated relating to 03 Revenue Codes in which the Secretary to the Ministry of Co-operatives – North Central Province is the Revenue Accounting Officer, amounts to Rs.783,256,000. However, the actual revenue had been Rs.695,820,078. Accordingly, the overestimated value was Rs.87,435,922 which represented 11 per cent of the estimated revenue.	It is accepted.	Revenue estimates should be prepared accurately in terms of Financial Regulations and in case a variance between the actual revenue and estimated revenue is indicated, the revenue estimate should be revised.

1.5.15 Head 641 –Department of Co-operative Development – North Central Province

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
(a) In terms of the North Central Provincial Co-operative Ordinance No.01 of 2011, obtaining the financial statements of co-operatives located in the Province within 03 months after the end of the accounting year, auditing and issuing reports thereon is one of the key functions of the Department of Co-operative Development – North Central Province. Nevertheless, 2,152 financial statements submitted by 682 co-operative societies located in the North Central Province had not been audited even by the end of the year under review.	It is accepted.	In terms of the North Central Provincial Co-operative Ordinance No.01 of 2011, the co-operative societies located in the North Central Province should be audited and reports thereon issued promptly. An inquiry should be held with regard to the delay of this duty.

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| (b) | Out of 682 registered co-operative societies in the North Central Province, 497 societies had been inoperative for a period of 10 years. However, no necessary measures had been taken by the Department of Co-operative Development – North Central Province to re-organize them. | It is accepted. | Necessary measures should be taken to re-organize the co-operative societies which remained in-operative. |
| (c) | Seventy two (72) vacancies comprising 04 in Senior Level, 02 in Tertiary Level, 62 in Secondary Level and 04 in Primary Level existed in the Department of Co-operative Development - North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies. | It is accepted. | Vacancies should be filled. |

1.5.16 Head 642 – Provincial Department of Industrial Development

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
(a) The Carpentry School Commercial Advance Account operated by the Provincial Department of Industrial Development had been handled in a manner of sustaining an operating loss and the operating losses of the year under review and 02 preceding years were Rs.6,786,822, Rs.481,564 and Rs.1,510,357.	Even though production has increased, sales have dropped. The loss has incurred due to increase in the closing finished stock.	Steps should be taken to bring the Advance Account to the stage of earning profit.
(b) The rental of Rs.1,111,105 recoverable relating to the period from the year 2016 up to 31 December 2020 from 22 display stalls maintained in the Viskam Piyasa building of the Department of Industrial Development had been in arrears and adequate action had not been taken to recover the said stall rental.	It is accepted.	Legal action should be taken to recover stall rentals.

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| (c) | Forty five vacancies (45) comprising 01 in Senior Level, 27 in Secondary Level and 17 in Primary Level existed in the Department of Industrial Development - North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies. | It is accepted. | Vacancies should be filled. |
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1.5.17 Head 643 – Department of Sports – North Central Province

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
(a) A stock of sports travelling bags and shoes valued at Rs.661,344 purchased in the years 2018 and 2019, a stock of sportswear valued at Rs.266,785 purchased in the year 2019 by the Department of Sports – North Central Province, 68 T-shirts supplied by the Department of Sports Development in the years 2018 and 2019 and a stock of sportswear purchased in the year 2018 of which the value could not be identified and 14 travelling bags purchased in the year 2015 had been stacked in the stores even by 10 May 2021 without being made use of.	It is accepted.	These goods should be supplied to sports clubs or schools with requirements according to a proper method by maintaining due reports.
(b) Even though the posts of Provincial Director of Sports and Assistant Director (Technical) of Sports had been vacant since the year 2018, action had not been taken even by the end of the year under review to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.
(c) Out of 20 approved posts of Sports Trainer, 05 posts representing 25 per cent had been vacant in the year under review.	It is accepted.	Vacancies should be filled.

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| (d) | Seventeen vacancies comprising 02 in Senior Level, 05 in Secondary Level and 10 in Primary Level existed in the Department of Sports - North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies. | It is accepted. | Vacancies should be filled. |
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1.5.18 Head 650 – Ministry of Land, Irrigation, Highways, Housing, Rural Development and Women’s Affairs North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) An imprest balance of Rs.302,158 unsettled as at 31 December 2020 relating to the Ministry of Irrigation – North Central Province had been brought forward over a period of 08 years.	It is accepted.	In terms of Provincial Financial Rules 259.2 and 259.3, an inquiry should be held and proper steps taken relating to unsettlement of the imprest balances remained as at 31 December, on 10 January of the following year or a date prescribed by the Provincial Treasury.
(b) Thirty four vacancies comprising 02 in Senior Level and 32 in Secondary Level existed in the Ministry of Land, Irrigation, Highways, Housing, Rural Development and Women’s Affairs – North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.19 Head 652 – Provincial Land Commissioner’s Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The Land Commissioner – North Central Province had estimated revenue from lands and other licence fees at Rs.112,000,000. However, the actual revenue had been Rs.169,768,129. Accordingly, the underestimated value was Rs.57,768,129 representing 52 per cent of the estimated revenue.	It is accepted.	Revenue estimates should be prepared accurately in terms of Financial Regulations and in case a variance between the actual revenue and estimated revenue is indicated, the revenue estimate should be revised.
(b) According to sample audit test checks carried out Nuwaragam Palatha East and the Kekirawa Divisional Secretariat Divisions, land tax amounting to Rs.285,138,949 and Rs.11,529,373 respectively which should be collected on long term lease basis by the Provincial Land Commissioner had been in arrears as at 31 December 2020. In terms of Section 89 of Volume 10 and Sections 104 to 125 of Volume 11 of the Land Code, failure in taking action such as eviction relating to people who delay or default payment of land tax and filing lawsuits had resulted in the poor condition in the recovery of the said tax.	It is accepted.	In terms of provision cited in the Land Code, action such as eviction from lands, filing lawsuits should be taken relating to people who delay or default payment.
(c) Twenty one (21) vacancies comprising 03 in Senior Level, 14 in Secondary Level and 04 in Primary Level existed in the Land Commissioner’s Department – North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.20 Head 660 – Chief Secretariat – North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) The revenue relating to 05 Revenue Codes estimated by the Chief Secretary – North Central Province was Rs.378,000,000. However, the actual revenue was Rs.521,076,034. Accordingly, the underestimated value prepared relating to the said 05 Revenue Codes was Rs.143,076,034 representing 38 per cent of the estimated revenue.	It is accepted.	Revenue estimates should be prepared accurately in terms of Financial Regulations and in case a variance between the actual revenue and estimated revenue is indicated, the revenue estimate should be revised.
(b) The income from sale of unserviceable capital goods under Revenue Code 2006.02.00 of the year under review had been estimated at Rs.21,000,000 by the Chief Secretary – North Central Province and it had exceeded the actual revenue of the preceding year by Rs.18,129,939. The actual revenue for the year under review was Rs.2,997,078 and as such, the overestimated value was R.18,002,922 representing 86 per cent of the estimated revenue.	It is accepted.	Revenue estimates should be prepared accurately in terms of Financial Regulations and the revenue estimate of the year under review should be prepared by considering the actual revenue and the estimated revenue of the preceding year.
(c) An officer who served as the Administrative Officer in the Provincial Department of Social Services has been occupying Government Quarters over a period of 20 years and the said officer had retired in March 2017. However, the quarters had not been vacated even by 10 May 2021.	It is accepted.	Action should be taken in terms of Government Quarters (Recovery of Possession) Act, No.07 of 1969 as amended by Act, Nos.03 of 1971 and 40 of 1974, to vacate the said quarters and to recover penal rent in addition to the normal house rent for the period for which the said quarters were occupied exceeding the 05 year tenure.

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| (d) | In terms of paragraph 6.1 of Chapter XIX of the Establishments Code, a Development Officer of the Provincial Revenue Department is occupying Government Quarters for a period of 02 years and 08 months exceeding the 05 year tenure. Moreover, despite having exceeded the 05 year tenure of these Quarters which is not included in the schedule, action had not been taken to recover penal rent in addition to the normal house rent for the period for which the said quarters were occupied exceeding the tenure in terms of paragraph 7.2 of Chapter XIX of the Establishments Code. | It is accepted. | This officer should be evicted from the Quarters and penal rent in addition to the normal house rent should be recovered for the period for which the said quarters were occupied exceeding the 05 year tenure. |
| (e) | Twenty two (22) vacancies comprising 01 in Senior Level, 05 in Tertiary Level and 16 in Secondary Level existed in the Chief Secretariat – North Central Province as at 31 December of the year under review and 04 employees in Primary Level were in excess. Nevertheless, necessary action had not been taken on recruitments for those vacancies and on excess officers. | It is accepted. | Vacancies should be filled and excess employees should be removed. |

Reference to Laws, Rules and Regulations -----	Non-compliance -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(f) Financial Regulations 571(2) and (3) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka	The balance of the General Deposit Account relating to the Chief Secretariat – North Central Province as at 31 December 2020 was Rs.17,526,084 and action had not been taken in	It is accepted.	In terms of Financial Regulations, inquiries should be made relating to deposits lapsed over a period of 02 years from depositors and refunds made or credited to the Revenue.

terms of Financial Regulations to refund or in case of failure to do so, to credit to the Revenue relating to deposits of Rs.119,000 lapsed over a period of 02 years.

1.5.21 Head 662 – Department of Planning and Monitoring – North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>Seventeen vacancies (17) comprising 02 in Senior Level, 14 in Secondary Level and 01 in Primary Level existed in the Provincial Department of Planning and Monitoring over a period of 03 years. Nevertheless, action had not been taken even in the year under review to recruit officers for those vacancies.</p>	<p>It is accepted.</p>	<p>Vacancies should be filled.</p>

1.5.22 Head 665 – Revenue Department – North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) The Commissioner of Revenue – North Central Province had estimated revenue at Rs.249,000,000 relating to 03 Revenue Codes. However, the actual revenue had been Rs.210,413,156. Accordingly, the overestimated value was Rs.38,586,844 representing 16 per cent of the estimated revenue.</p>	<p>It is accepted.</p>	<p>Revenue estimates should be prepared accurately in terms of Financial Rules and in case a variance between the actual revenue and estimated revenue is indicated, the revenue estimate should be revised.</p>
<p>(b) The Commissioner of Revenue – North Central Province had estimated the revenue from court</p>	<p>It is accepted.</p>	<p>Revenue estimates should be prepared accurately in terms of Financial</p>

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| <p>fee at Rs.240,000,000 under Revenue Code 2003.03.01 in the year under review and it was an underestimate of Rs.156,128,772 exceeding the actual revenue representing 65 per cent of the estimated revenue.</p> | | <p>Regulations by considering the actual revenue and the estimated revenue of the preceding year.</p> |
| <p>(c) Fifteen vacancies (15) comprising 11 in Senior Level, 02 in Tertiary Level, 01 in Secondary Level and 01 in Primary Level existed in the Revenue Department– North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.</p> | <p>It is accepted.</p> | <p>Vacancies should be filled.</p> |

1.5.23 Road Development Authority – North Central Province

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>(a) Deeds or transfer certificates of lands on which buildings costing Rs.49,661,220 as at 31 December 2020, are located were not available with the Provincial Road Development Authority in confirming ownership of the said buildings</p>	<p>It is accepted.</p>	<p>Deeds or transfer certificates of lands should be obtained to confirm ownership.</p>
<p>(b) Despite deactivating the Value Added Tax file of the Road Development Authority – North Central Province by the Inland Revenue Department from September 2015, a Value Added Tax amounting to Rs.7,361,498 had been charged from clients up to 31 December 2019 contrary to provisions of the Value Added Tax Act and the said monies had been credited to the revenue in the year under review.</p>	<p>It is accepted.</p>	<p>Value Added Tax which was charged without authority should be paid back.</p>
<p>(c) Twelve vacancies (12) comprising 04 in Senior Level, 05 in Tertiary</p>	<p>It is accepted.</p>	<p>Vacancies should be filled.</p>

Level and 03 in Secondary Level existed in the Road Development Authority – North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.

1.5.24 Road Transport Service Authority – North Central Province

----- Audit Observation -----	----- Comments of the Chief Accounting Officer -----	----- Recommendation -----
(a) In terms of Circular No.09/2009 dated 16 April 2009 of the Ministry of Public Administration and Home Affairs, the finger print machine installed for recording the arrival and departure of the employees of the Road Transport Service Authority had remained idle without being made use of.	It is accepted.	Finger print machines should be used for recording the arrival and departure of employees in terms of the Circular of the Ministry of Public Administration and Home Affairs.
(b) The deficit of Rs.42,612,200 in the year 2018 has increased to Rs.56,426,500 in the year 2019. As such, in terms of paragraph 01 of Circular No.02/2015 of 09 December 2015 of the Secretary to the Ministry of Finance, only a sum of Rs.2,000 could be paid as bonus to each employee. However, the Authority had paid a sum of Rs.600,000 at Rs.5,000 each as bonus to 120 employees contrary to provisions of the said Circular.	It is accepted.	A sum of Rs.2,000 each should be paid as bonus in terms of paragraph 01 of the Circular of the Secretary to the Ministry of Finance and overpayments should be recovered.
(c) According to paragraph 6.1 (b) of Part II of Establishment of the Road Passenger Transport Service Authority Statute, No.8 of 1994, the Road Transport Service Authority has been vested with powers only for issuance and renewal of permits for use of buses within the Province for transport of passengers. However,	It is accepted.	According to paragraph 6.1 (b) of Part II of Establishment of the Road Passenger Transport Service Authority Statute, No.8 of 1994, the Road Transport Service Authority has been vested with powers only for issuance and renewal of

contrary to that, 167 intercity route permits currently valued at Rs.16,700,000 had been issued during the period from the year 2000 up to the year 2019 and the validity period of 72 permits out of them had been extended and operated.

- (d) The Road Transport Service Authority had not taken action to recover penalties and delay charges of Rs.5,370,300 recoverable for 62 penalty papers issued for buses with intercity route permits and route permits during the period from the year 2016 up to the year 2018.

It is accepted.

permits for use of buses within the Province for transport of passengers. As such, disciplinary action should be taken relating to persons who had acted contrary to the said provisions.

According to provisions of Establishment of the Road Passenger Transport Service Authority Statute, No.8 of 1994, penalties and delay charges issued for buses with intercity route permits and route permits, should be recovered.

1.5.25 Early Childhood Education Development Authority – North Central Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
<p>(a) In terms of Financial Regulation 71, an acting allowance of Rs.144,000 had been paid in the year under review by appointing an acting Accountant without approving a post of Accountant for the Authority.</p>	<p>It is accepted.</p>	<p>The post should be properly approved and acting allowances should be recovered.</p>
<p>(b) Revenue from sale of progress reports amounting to Rs.571,830 recoverable from 17 sales agents which was being disclosed in the financial statements for 03 years, had not been recovered even in the year under review.</p>	<p>It is accepted.</p>	<p>The sales income unrecovered for 03 years, should be recovered.</p>
<p>(c) Action had not been taken even in the year under review to settle teachers' allowances amounting to Rs.3,000,000 unsettled for 04 years.</p>	<p>It is accepted.</p>	<p>Reasons for unsettlement of teachers' allowances for 04 years should be examined and taken action thereon.</p>

(d) Out of revenue from newspapers amounting to Rs.5,942,292 recoverable as at 31 December 2020 from 28 sales agents, a revenue of Rs.5,391,779 had not been recovered over a period of one year.	It is accepted.	Reasons for non-recovery of revenue from newspapers should be investigated and taken action thereon.
(e) Contributions to the Employees' Trust Fund had not been duly paid and as such, a surcharge of Rs.437,852 had been imposed by a surcharge notice. However, action had not been taken to disclose it in the financial statements or to pay it.	It is accepted.	The relevant surcharge should be recovered from officers who failed to take action relating to payment of contributions due to the Employees' Trust Fund.
(f) Fourteen vacancies (14) comprising 02 in Senior Level, 01 in Tertiary Level and 11 in Secondary Level existed in the Early Childhood Education Development Authority – North Central Province as at 31 December of the year under review. Nevertheless, action had not been taken to make recruitments for those vacancies.	It is accepted.	Vacancies should be filled.

1.5.26 Development Construction and Machinery Agency - North Central Province

----- Audit Observation -----	Comments of the Chief Accounting Officer	----- Recommendation -----
(a) Action had not been taken to remit Value Added Tax totalling Rs.16,011,120 and Goods and Services Tax of Rs.8,966,846 payable over a period of 12 years to the Inland Revenue Department.	It is accepted.	Action should be taken to remit Value Added Tax (VAT) and Goods and Services Tax (GST) payable to the Inland Revenue Department.
(b) A sum of Rs.8,029,065 had been paid in the year under review by the Agency as salaries and allowances to	It is accepted.	The excess cadre should be removed.

employees who had been recruited exceeding the approved cadre.

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| (c) | The income from machine rental, press and vehicles repair division recoverable from Government institutions relating to the period from the year 2015 up to 31 December 2020 had been Rs.2,795,558, Rs.31,294,850 and Rs.2,556,908 respectively. The period of non-recovery relating to Rs.1,304,135 representing 47 per cent, Rs.7,261,712 representing 23 per cent and Rs.1,542,131 representing 60 per cent ranged from 01 year to 04 years. | It is accepted. | An inquiry should be held to find out reasons for non-recovery. |
| (d) | Retained Money of construction projects and monies receivable relating to a tube well project amounted to Rs.8,527,044 and Rs.3,159,160 respectively and the said income had remained unrecovered from a period ranging from 06 to 17 years. | It is accepted. | An inquiry should be held to find out reasons for arrears. |
| (e) | Action had not been taken even by 31 December 2020 to settle the retained money, machine rental and expenditure on spare parts and repairs payable totalling Rs.18,977,029 disclosed in the financial statements for many years. | It is accepted. | Action should be taken to settle all liabilities or to credit to the revenue in case liabilities do not exist actually. |