

## North Central Provincial Council - Year 2021

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### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of Financial Statements of the North Central Provincial Council for the year ended 31 December 2021, comprising the Statement of Financial Position as at 31 December 2021, Statement of Financial Performance, Cash Flow Statement for the year then ended and significant accounting policies and other explanatory information was carried out for the year then ended, under my direction in pursuance of provisions in Article 154 (3) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act No. 42 of 1987 and provisions of the National Audit Act, No.19 of 2018. The summary report on these financial statements was issued on 11 November 2022 in terms of provisions in Section 23(2) of the Provincial Councils Act Sub-Section 11(1) of the National Audit Act, No.19 of 2018 and the Annual Detailed Management Audit Report was issued on 13 October 2022 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 10(1) of the National Audit Act, No.19 of 2018 will be tabled in Parliament and a copy of the report will also be submitted to the Governor to be placed before the Provincial Council in terms of Section 23(2) of the Provincial Council Act No. 42 of 1987 in due course.

In my opinion, except for the effects of the matters described in paragraph of basis for the qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the North Central Provincial Council as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### 1.2 Basis for Qualified Opinion

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Following observations are made.

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Although the financial statements of the North Central Provincial Treasury did not show the payable expenses in relation to the expenditure object No. 1409, the financial statements of the North Central Provincial Council showed a sum of Rs.96,957 as payable expenses in relation to the said expenditure object of.	Accepted and adjustments will be made to the financial statements in the year 2022.	The information in the financial statements prepared by the Ministries/Departments of the North Central Provincial Council and the financial statements of the Provincial Council should be the same.

- (b) According to note 13 of the Provincial Council Financial Statements, the balance of the Depreciation Reserve Fund as at 31 December of the year under review is Rs.30,884,283, but a sum of Rs.6,979,917 remitted to the Depreciation Reserve Fund by 02 Provincial Council departments in relation to 02 commercial advance accounts was not credited to the Depreciation Reserve Fund by the Treasury In the year 2020. Therefore, the balance of the Depreciation Reserve Fund was understated from that amount in the financial statements.
- Accepted and The amount remitted to the Depreciation Reserve Fund by the concerned Departments in respect of the Commercial Advance Accounts shall be credited to the Depreciation Reserve Fund by the Treasury.
- (c) According to note 01 of the financial statements of the year under review, outstanding balances of Rs. 27,860,867 had been outstanding for more than 04 years in relation to 04 Provincial Ministries/Departments, which had not been settled to the North Central Provincial Treasury. The balance of Rs. 26,405,861, which is 95 percent of those balances, which has existed for more than 10 years, should have been settled by the Chief Ministry.
- Accepted. According to Provincial Finance Rules 259.2 and 259.3, the imprest balances of Ministries/Departments as at 31 December must be settled back by 10 January of the following year or on such date as may be determined by the Provincial Treasury.

cordance with the Sri Lanka Auditing Standards (S.L.Au.Ss). My responsibility with regard to financial statements is further described under “Auditors Responsibility” section. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### 1.3 Responsibility of the Management for the Financial Statements

Management is responsible for the preparation of financial statements that give true and fair view in accordance with Sri Lanka Public Sector Accounting Standards and for such internal control as management determine is necessary to enable the preparation of financial statements, that are free from material misstatements, 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 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 enable to prepare annual and periodical statement.

## 1.4 Auditor's Responsibility for the Audit of the Financial Statements

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My objective is to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's 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, Misstatement can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risk of material misstatements of the financial statements, whether due to frauds 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 effect of material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omission, misrepresentation or override of internal control.
- Obtain and 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 internal control.
- Evaluate the appropriateness of applied accounting policies and reasonableness of accounting estimates and the disclosures of related party transactions done by the management.
- Evaluate the overall presentation, Structure and contents of the financial statements including the disclosures and whether the financial statements represent the underline transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, other matters significant audit findings including any significant deficiencies in internal control that were identified during my audit

## 1.5 Comments on Financial Statements

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### 1.5.1 Head 602 - North Central Province Public Service Commission

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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The examination fee income was estimated at Rs.1,000,000, but the actual income was Rs.4,495,610, under the revenue codes of 2003.02.13 where the secretary of the North Central Province Public Service Commission is acting as the revenue accounting officer. Accordingly, the	It is stated that this difference has occurred due to the calling of applications for the competitive examination for the recruitment of teachers after the approval	Revenue accounting officers should prepare their estimates as realistic and accurate as possible and revision of estimates is also possible.

underestimated value was Rs.3,495,610, of the estimates. which was 350 percent of the estimated income.

**1.5.2. Head 610 - North Central Province Chief Minister and North Central Province Ministry of Law and Order, Finance and Planning, Local Government, Rural Infrastructure and Special Projects, Tourism, Education, Information Technology, Engineering Construction and Cultural Affairs**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) Under the alternative energy program, 646 solar street lamps with a total value of Rs. 41,787,553 were installed by the North Central Province Chief Ministry in the period from 2016 to 2021 in selected public places and touristic places in the North Central Province. The Chief Ministry had handed over these 646 solar street lamps to the local authorities, but it was not observed that the local authorities maintain them properly, operate them according to the prescribed standards, and follow up on their physical existence and safety.. As a result, 128 solar street lamps were not in use due to reasons such as street lamps not being installed, being removed after installation, malfunctioning, being stolen by thieves, damaged by wild animals and damaged by vehicle accidents and therefore the cost amount of Rs.9,124,097 was incurred for that had been fruitless.	It has been stated that the reason for this situation is that these street lamps built by the Chief Ministry and had been handed over to the local authorities and the Department of Archaeology for maintenance, but these agencies have not done the work properly.	The Chief Ministry should maintain a supervision to ensure that the maintenance of these street lamps, which were handed over to the local authorities and the Department of Archaeology, is done properly.
(b) North Central Chief Ministry had made double payments for the construction done under the Nearest School Best School project allocation in one occasion on the original copies of documents including measurement sheets, work completion report and bill payment summary and in another occasion on photocopies of said documents. The amount fraudulently obtained through double payments by	Accepted.	The full amount should be recovered and disciplinary action should be taken against the officials who made the double payment.

26 February 2020 was Rs. 8,608,290 as revealed in the audit sample test,. The recovery of the entire amount and the disciplinary proceedings against the officials who made the double payment were not completed.

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| (c) | The North Central Chief Ministry has paid an advance of Rs.9,066,775 in the year 2016, for 02 construction contracts with an agreed amount of Rs. 21,946,785, which had been implemented using the provisions of the Nearest School Best School project, but the work had not been completed as per the agreement. Even so, legal action was not taken to recover the advance and the contractors who did not complete the work as per the agreement.  | Accepted. | Legal action should be taken against contractors who have not completed the work as per the contract, to recover the mobilization advance.   |
| (d) | The Chief Secretary had entered into a contract with a private supplier on March 23, 2016 for an amount of Rs.15,797,500 for developing a technical quality documentary video program, creating a quality book with attractive images and creating a well-structured informative website for the promotion of tourism in the North Central Province. Although a sum of Rs.12,144,500 of the contracted amount had been paid by 26 December 2016, but the supplier had not completed the project and handed it over to the provincial council by 10 May 2021 to be used for the promotion of tourism in the North Central Province. | Accepted. | Action shall be taken against the officials who made payment before supply the video program, quality book with attractive pictures and website with formal information by the supplier. |
| (e) | Although 3 projects for the construction of three-storey classroom building, canteen and two-storey principal's quarters of A/Padawiya Mahasen Maha Vidyalaya under the Nearest School Best School project had been awarded to a contractor with values of Rs.28,822,475, Rs.11,607,260 and Rs.6,637,937 respectively, and   | Accepted. | As per the contract agreement, late fees should be collected and the works of these projects should be completed.  |

according to the Letter of Acceptance, the construction was supposed to start on 29 August 2016, but the Chief Ministry had signed the agreement on October 4, 2016 with a delay of 37 days. According to the agreement, the construction of the said buildings should have been completed before 04 April 2017 and no extension of time was given. Nevertheless, during the period from 03 months to 02 years after the end of the contract period, the late charges of Rs.4,706,767 which should be charged according to the contract agreement were not charged in the payment of 03 bills totalling Rs.17,034,747 submitted by the contractor. Also, the construction completion date had expired by 05 years as of 04 April 2022, which was the audit date. Accordingly, the total amount of Rs. 19,383,974 that had been paid up to now had been useless and these 03 buildings were being subjected to natural calamities without maintenance.

- (f) The Secretary to the Chief Ministry had entered into an agreement with a contractor on 12 October 2016 at a cost of Rs.9,280,680 to complete the construction of the Primary Learning Resource Center of A/Padawiya Parakramapura Primary School under the Nearest School Best School Project before 04 February 2017. However, even though 05 years had passed, the work on the said building had not been completed and handed over even by 04 April 2022, which was the audit date. But action had not been taken as per the agreement, to en-cash the contractor's surety bonds and to take legal action. Accordingly, the amount of Rs.1,841,335 paid to the contractor was an idle expenditure.

Accepted.

Taking action as per the agreement against the contractor who has not completed and handed over the work, recover late charges as per the contract agreement and complete the work of these projects should be done.

(g)	The construction of the multi-purpose building of A/Padawiya Mahasen Primary School should be completed within 04 months from 06 October 2016 to 05 February 2017 and no extension of time was given. However, in the payment of 02 bills totalling Rs.4,773,047 presented by the contractor within the period of 03 months to 02 years after the end of the contractual period, the late fee of Rs.933,237 which should be charged according to the contract agreement was not charged. Also, the construction completion date had expired by more than 5 years but the work on this project had not been completed even by 04 April 2022, which was the audit date. Accordingly, the amount of Rs. 5,942,219 that had been paid up to now had been useless and these buildings were being subjected to natural calamities without maintenance.	Accepted.	As per the contract agreement, late charges should be collected and the works of these projects should be completed.
(h)	There were 05 senior level vacancies, 25 secondary level vacancies and 03 primary level vacancies in the Chief Ministry for more than 04 years but the role of the ministry had been fulfilled. Even so, no steps were taken to suppress the number of non-essential cadre.	Accepted.	Efforts should be made to suppress the number of non-essential cadre.
(i)	<b>North Central Province Chief Minister's Fund Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
(i)	----- Section 3(1) of the Chief Minister's Fund Charter No. 5 of 1992 entrusted the administration, management and capital of the Fund to its Board of Governors. The governing body of the fund consisted of 06 members including the Chief Minister and two members of the opposition and since the method of maintaining the fund after the dissolution of the provincial council	----- It has been stated that after the resumption of the Provincial Council, the charter will be amended.	----- Arrangements should be made to amend the charter.

was not specified in the charter, the fund remained inactive since 01 October 2017 on the date of dissolution of the provincial council.

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| (ii) | An amount of Rs.4,425,249 was in kept a fixed deposit of the North Central Province Chief Minister's Fund for a long time and an amount of Rs.5,663,736 was kept in the current account of the North Central Province Chief Minister's Fund for a period of 04 years from the year 2018 and no steps were taken to fulfil the objectives expected to be achieved by establishing the fund using that money. | Accepted. | The funds owned by the fund shall be put to fulfil the objectives intended to be achieved by its establishment, or to invest in a profitable investment. |
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### 1.5.3 Head 611 - Department of Local Government, North Central Province

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) In the separation of Thamankaduwa Pradeshiya Sabha into 02 local government bodies, as Polonnaruwa Municipal Council and Polonnaruwa Pradeshiya Sabha, although the documents related to 03 bank accounts of the Thamankaduwa Pradeshiya Sabha had been accepted by the Department of Local Government, North Central Province, the amount of Rs.1,034,955 in those accounts was not given to the Polonnaruwa Municipal Council and the Polonnaruwa Pradeshiya Sabha and the said money remained unused in those accounts as at 15 June 2022.	This money has been collected by the Thamankaduwa Pradeshiya Sabha and it has been stated that its chairman was against giving part of this money to the Polonnaruwa Municipal Council.	Arrangements should be made to utilize the amount of Rs.1,034,955.
(b) Alahera Pradeshiya Sabha had spent an amount of Rs. 15,675,708 in the period of 2015-2018, with the aim of constructing a long distance service bus stand, without following measures such as obtaining council approval for demolishing a stone block located in front of Bakamoona Mahaweli ground, carrying out feasibility studies, preparing	Accepted. It has been stated that necessary measures will be taken against those related to this incident.	Action should be taken against officials who spend money without following formal financial procedures.



estimates, obtaining environmental permits and following proper financial procedures, but the said bus stand was not built. However, no disciplinary action was taken by the Local Government Department of the North Central Province.

#### 1.5.4 Head 612 - Department of Education, North Central Province

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) From the results of the examination in the period of 05 years from 2016 to 2020, according to the provinces, the North Central Province, which was in the 05 <sup>th</sup> position in the years 2018 and 2019, had regressed to the 07 <sup>th</sup> position in the year 2020. Also, from the G.C.E. (A/L) examination results of the same period, according to the provinces, although the North Central Province, which was at the 07 <sup>th</sup> position in the years 2018 and 2019, had regressed to the 08 <sup>th</sup> position in the year 2020 and there was no optimal program implemented at the school level to increase the examination results in the province.	It has been stated that this situation has arisen due to the inability to implement the planned programs in the same manner due to the global covid epidemic situation.	In order to increase the examination results in the province, an optimal program should be implemented and maintained at the school level.
(b) Even though, there were vacancies for teachers and principals in schools in the North Central Province, 58 teachers were released to other institutions for a period of 01 months to 27 years and the salaries and allowances of Rs.147,348,894 paid to them for the period from the date of release to 31 December 2021, were not reimbursed by the institutions to which the teachers were attached. Also, although it has been advised in the letter of the North Central Provincial Education Director dated 30 June 2021 that while paying salaries to the teachers who have been released to other institutions, the details of their attendance and leave must be obtained,	The salaries of 02 teachers in Anuradhapura Education Zone and 04 teachers in Higurakgoda are being reimbursed and since the services of these teachers attached to the National Cadet Corps are received directly by the schools, the Ministry of Defence has informed that it is not possible to allocate allocations for their salaries from the Ministry of Defence budget.	If there are vacancies, the School teachers in the North Central Province should not be released to other institutions and the salaries paid in respect of the released teachers should be reimbursed.

attendance and leave records related to 55 teachers and records of allowances paid by released institutions were not obtained.

- (c) According to sub-section 11.2.3 of Chapter II of the Establishment Code, on the expiry of the probationary period of an officer on probation, whether the Head of Department shall take action to confirm him/her in service or extend the period of probation or terminate the probationary appointment, the provincial director of education had not taken steps by 31 December 2021 to make permanent the services of 239 teachers who had been appointed as teachers in the period from 1987 to 2018.
- It has been stated that the files related to 04 teachers in Thambuttegama zone, one teacher in Kekirawa zone and 39 teachers in Kebithigollewa zone have been completed and forwarded to the Provincial Public Service Commission for confirmation.
- Action should be taken as per sub-section 11.2.3 of Chapter II of the Establishment Code.
- (d) It was revealed in the sample audits conducted on 78 teachers that there has been a delay of more than a year in promoting the grades of 61 teachers in 13 schools belonging to Kabithigollawa, Tambuttegama and Kekirawa education zones.
- It has been stated that the relevant promotions will be given within 03 months.
- All teachers should be promoted in due time.
- (e) Although the water pump for the tube wells, which was given by a donor to Horowpathana Dutuwewa Vidyalaya in the year 2014, was missing by the date of the audit inspection on 11 January 2022, the principal did not do activities such as inform the regional education office about it, complain to the police and taking action according to the financial regulations.
- It has been stated that a preliminary investigation is underway.
- Should inform the Zone Education Office, report to the police and follow the financial regulations.
- (f) A classroom building measuring 80'x20' in Horowpathana Dutuwewa Vidyalaya was built with a private donation of Rs.2,380,500 and the following facts were revealed in this regard.

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| (i)   | Although approval was given by the Chief Ministry Secretary on 23 October 2019 for the construction of this building, and instructions were given to carry out the said construction as per departmental specifications and under the supervision of Building Engineers/Technical Officers, it had been carried out not in accordance with the departmental specifications and without the supervision of the Building Engineers/Technical Officers.  | Not answered. | Construction should be carried out in accordance with the instructions of the Secretary to the Chief Ministry and the departmental specifications. |
| (ii)  | The committee consisting of 12 people including the principal appointed to buy materials for construction works had bought 18.4 sand cubes worth Rs. 120,700 more than the estimated amounts approved by the Chief Ministry Secretary.  | Not answered. | It should not be purchased exceeding the amounts specified in the estimate approved by the Principal Secretary.                                    |
| (iii) | For covering the roof using Amano sheets with a gap of 03 feet 06 inches, work No. 06 of the estimate has been approved to apply 12 rows of 56 steel purlins of length 19 feet at spacing of 02 feet 06 inches, subject to, but contrary to that, 08 rows of purlins were used with a gap of 03 feet 09 inches. Asbestos sheets were also covered on it and 19 steel purlins of 19 feet which were unused for the roof were sold for Rs.73,682 and only Rs.30,500 of that amount was credited to the school development society account on 14 February 2020 and Rs.43,182 was misused by the principal. | Not answered. | Work should be done according to the estimate.   |
| (iv)  | In order to apply ZN/Al Color bond ridge capping to cover 90 feet of the top of the roof of the building under work subject number 17 of the approved estimate, a sheet roll of 100 feet length and 02 feet width was purchased at a cost of Rs.12,000, but instead of using the sheet roll for the roof of the building, the principal had resold it to the company that bought it and got money and misused it.   | Not answered. | Action should be taken against the officials who committed irregularities.   |

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| (v) | Although according to the circular No. 05/2015 dated 29 January 2015 of the Secretary of the Ministry of Education, charging money informally in schools is prohibited, but it was mentioned in the report of the meeting of the School Development Society held on 17 August 2020 that the principal collected a sum of Rs.60,000, as Rs.400 each from a family of children studying in the school, and that receipts were not issued for the same, and the amount was misplaced. | Not answered.  | Although according to the circular No. 05/2015 dated 29 January 2015 of the Secretary of the Ministry of Education, informal fees should not be charged, action should be taken against the officials who charged the money illegally. |
| (g) | 02 school building construction projects with an estimated value of Rs. 4,000,000 which were planned to be completed in the year 2021 by the Provincial Education Department, had been abandoned due to the submission of defective documents by the bidders.  | It has been stated that because the bidders who had submitted bids related to the 02 projects, submitted the necessary documents with deficiencies, these projects were included in the development plan of the year 2022. | The relevant projects shall be completed after obtaining documents without any defects from the bidders, or re-bidding.  |
| (h) | Out of 140 schools in Kekirawa and Kabithigollawa educational zones that were planned to be monitored in the year 2021, only 27 schools had been monitored and the progress was at a level of 19 percent.  | It has been pointed out that due to school closures for various reasons, monitoring has been low.  | More schools should be monitored as planned.   |
| (i) | In the year 2021, out of 41 schools that were reviewed in Tambuttegama, Kekirawa and Kabithigollewa education zones, the quality index value of 38 schools was below 70 percent.   | It has been pointed out that due to the periodic closure of schools; the decrease in self-evaluation as well as external evaluation has led to this situation.   | Schools with a quality index value of more than 70 percent have high exam results, so efforts should be made to raise this index value.  |
| (j) | Out of the 1510 teacher and principal quarters owned by 592 schools in the North Central Province Department of Education, 981 teacher quarters with an area of 831,004 square feet were in need of repair, and 225 teacher quarters with an area of 206,719 square feet were in an  | As most of these teachers' quarters are found to be unnecessary at present, it has been stated that renovations will be undertaken only if there is a need.  | The need should be recognized and teachers' quarters should be repaired and given to the principals and teachers.  |

unusable condition, but attention was not given on Recognizing the need, renovating the teachers' quarters and providing them to the principals and teachers.

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| (k) | From 11 teachers working in 03 schools of the North Central Province Education Department, teachers' quarters rents of Rs.871,490 as of December 31 of the year under review, were not collected, and the time period in which the rents were not collected was from 01 to 06 years.   | It has been stated that the related rents will be recovered. | House rent should be collected from all the teachers residing in teachers' quarters.  |
| (l) | 20 sustainable development goals had been established to achieve 08 sustainable development goals identified by the provincial education department and 15 projects had been implemented by spending Rs.89,836,241 in the year under review to reach 18 goals. However, no project had been implemented to achieve the 02 goals of increasing the number of special education students who developed skills and implementing the thirteen-year continuous education development program. | Not answered.  | Actions must be taken to achieve each goal.   |
| (m) | Due to the fact that 293 schools in the North Central Province have not been assigned graded principals, acting appointments have been given to teachers to perform the duties of the principal's position, but there was no focus on transferring the graded principals, who were performing the duties of the posts of deputy principals in 217 schools, to the vacant schools and performing the duties of the principals.  | Accepted.  | Arrangements should be made to transfer graded principals, who are performing the duties of deputy principal positions in some schools in the province, to schools where there are vacancies. |

- (n) Total loan balances of Rs.6,978,844 were in arrears ranging between 03 months to 07 years, relating to 39 officers transferred to ministries/departments of the North Central Provincial Council, 04 officers transferred to provincial ministries and departments of other provincial councils, one officer who has died while serving, 05 officers who have retired, In respect of two officers, and two suspended officers as at 31 December 2021 according to the Advances to Public Officers Account of North Central Province Education Department Item No.61211 (Office Staff). Also, a period of 03 months to 07 years had passed without settlement of loan balance of Rs.1,046,606 in relation to 08 officials who were transferred from other ministries/departments of the North Central Provincial Council. However, action had not been taken to settled the said loan balances according to the provisions of Articles 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 Establishment Code, the provisions of paragraph 1.1.7 of National Budget Circular No. 118 dated 11 October 2004 and Section 03(e) of Public Finance Circular No. 05/2019 dated 27 June 2019 as prescribed by the guidelines introduced by the Public Finance Circular No. 01/2020 dated 28 August 2020.
- It has been stated that an amount of Rs. 1,580,247 related to 12 officials has been recovered.
- Settlement should be done as prescribed by the guidelines introduced in the Public Finance Circular No. 01/2020 dated 28 August 2020.
- (o) Total loan balances of Rs.75,454,646 were in arrears ranging between 03 months to 31 years, relating to 91 officers transferred to ministries/departments of the North Central Provincial Council, 505 officers transferred to provincial ministries and departments of other provincial councils, 295 officers who have been transferred to Central Government Ministries, Departments, Corporations and Boards, 21 officers who have died while serving,
- It has been stated that an amount of Rs. 7,206,060 has been recovered relating to 64 officers.
- Settlement should be done as prescribed by the guidelines introduced in the State Finance Circular No.01/2020 dated 28 August 2020.

146 officers who have retired, 20 officers who have been suspended, 19 officers who have left service, and 93 officials whose information could not be disclosed as at 31 December 2021 according to the Advances to Public Officers Account of North Central Province Education Department Item No.61201 (School Staff). Also, a period of 03 months to 24 years had passed without settlement of loan balance of Rs.26,454,817 in relation to 13 officials who were transferred from other ministries/departments of the North Central Provincial Council and 295 officers transferred from Central Government Ministries, Departments, Corporations and Boards. However, action had not been taken to settle the said loan balances according to the provisions of Articles 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 Establishment Code, the provisions of paragraph 1.1.7 of National Budget Circular No. 118 dated 11 October 2004 and Section 03(e) of Public Finance Circular No. 05/2019 dated 27 June 2019 as prescribed by the guidelines introduced by the Public Finance Circular No. 01/2020 dated 28 August 2020.

	<b>Reference to Non-Compliance Laws, Rules and Regulations</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>	
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(p)	Sub-section 10(I) of Public Administration Circular No. 07/2018 dated 24 May 2018	Although arrangements should be made to prepare the pension files correctly and send them to the concerned Divisional Secretariat on the	It has been stated that the files of the teachers of the Tambuttegama and Kekirawa Zonal Education Offices have been sent to the Divisional Secretariat.	The pension files should be properly prepared and sent to the concerned Divisional Secretariat on the date of retirement of public servants or within a week from that date.

date of retirement of public servants or within a week thereafter, It took between 03 months to 13 months to send the pension files of 30 teachers to the Divisional Secretary by the Kabithigollewa Zonal Education Office.

**(q) North Central Province Education Development Fund**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
An amount of Rs. 13,000,000 of the North Central Province Education Development Fund had been invested in a fixed deposit for a long time and no steps had been taken to achieve the desired goals by utilizing the said amount.	Accepted.	Steps should be taken to achieve the objectives to be achieved by establishing the fund.

**1.5.5 Head 620 - Ministry of Agriculture, Agro Products Marketing, Animal Production and Animal Health and Fisheries - North Central Provincial**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The North Central Province Governor's Office had implemented the project of constructing and renovating agriculture wells in the North Central Province under the North Central Province Agriculture Department with a vision of a satisfied and prosperous farming community and a prosperous province and a sum of Rs.17.7 million was spent for that. 42 agriculture wells were newly constructed and 35 agriculture wells already cut were renovated. In this regard, following matters were revealed during the inspection of a sample of 10 agriculture wells.		



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| (i)  | As per paragraph 04 of the letter No. NCP/GOV/8/1/1 dated 09 July 2021 issued by the Secretary to the Governor regarding construction/rehabilitation of agriculture wells, a sum of Rs.200,000 may be paid for build a cut/collapsed well, but a sum of Rs.350,000 was paid beyond that limit to 02 beneficiaries .  | Accepted  | Action should be taken according to the letter issued by the Secretary to the Governor No.NCP/GOV/8/1/1 dated 09 July 2021.    |
| (ii) | An amount of Rs.200,000 was paid to 02 farmers of Kekirawa Agriculture Advisory Division who can get water from irrigation canals for the construction of cultivation wells.   | It is stated that these cultivations well grants were provided to procure water during the yala season.   | As there are many lands that cannot get water even for one season, cultivation well grants should be provided for those lands. |
| (b)  | A sum of Rs. 77,572,500 had been spent by the Provincial Ministry of Agriculture for 21 two-wheeled (02) tractor-mounted shredding machines each at Rs.682,500 and 90 four-wheeled (04) tractor-mounted shredding machines each at Rs.710,000 for the production of high quality organic fertilizers, with the aim of increasing the production of organic food in the province, creating employment opportunities and providing food free of toxic chemical ingredients to the consumers to create a healthy generation and the machines were distributed to the beneficiaries. However, 06 machines were not used for the production of organic fertilizers and one machine was used by a beneficiary for the production of organic fertilizers required for his crops only. Also, it was revealed during the inspection of a sample of 11 machines that it was not possible to sell the organic fertilizers produced by 02 machines because no specific method has been prepared to check the quality of fertilizers and due to the fact that there was no fixed price for the organic fertilizers produced and the Ministry had not prepared a system to buy them and distribute them to the farmers, the said fertilizers were stored by the concerned beneficiaries. | After the implementation of the project, the project has failed because the farmers refused to apply organic fertilizers and could not sell the produced fertilizers. | The amount of Rs.77,572,500 spent by the Provincial Ministry of Agriculture should not be wasted.                              |

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| <p>(c) For the project to provide equipment on a subsidized basis to ornamental fish producers in the North Central Province with the aim of helping to reduce poverty in the North Central Province, the Provincial Ministry of Agriculture had purchased 150, 250 round cover nets, 283 bird nets and 1200 GI pipes spending a sum of Rs.17,657,686 including member contribution in the year 2021. It was revealed during the sample audit that the said equipment had been distributed to 04 large-scale ornamental fish producers. It was observed that distributing this equipment to large-scale businessmen would not fulfil the project objective of reducing poverty in the province.</p> | <p>These equipment were provided to the large scale entrepreneurs as it was indicated that the small scale entrepreneurs would benefit more by buying the ornamental fish of the small scale entrepreneurs and giving them to the exporters.</p> | <p>There is no need to distribute such equipment on subsidized basis to large scale ornamental fish producers as large scale entrepreneurs earn profit by buying ornamental fish from small scale entrepreneurs.</p> |
| <p>(d) Under the fresh water fish promotion program implemented by the Ministry of Agriculture of the North Central Province, 119 canoes and 23 outriggers were purchased at a cost of Rs. 9,068,126 in the year 2021 to be given to the fresh water fishermen. These equipment given to the fishermen should not be given to others and should be used in the fishing industry, but some fishermen had given the equipment and some equipment were not used for the fresh water fishing industry due to various reasons. However, the equipment was not taken back and given to other fishermen.</p>   | <p>It is indicated that these beneficiaries are engaged in freshwater fishing during the fish season.</p>  | <p>Fishing should be done without giving the equipment to others.</p>  |

#### 1.5.6 Head 621 – Agriculture Department of North Central Province

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>North Central Province Agricultural Development Advance Account</b>		
<p>(a) The unrecognized receipts of Rs.595,537 as per the bank reconciliation statement prepared on 31 December 2021, in relation to the current account maintained for the operational activities of the North Central Province Agricultural</p>	<p>Accepted.</p>	<p>Unrecognized receipts should be identified and properly accounted for.</p>

Development Advance Account, were not identified and properly accounted for.

- (b) According to Financial Rule 377.1 of the North Central Provincial Council, the annual depreciation of capital assets shall be sent to the Provincial Treasury for crediting to the “General Deposit Account – Depreciation Reserve Fund”, to meet the cost of recovery of depreciated assets in the North Central Province Agricultural Development Advance Account. However, in relation to the capital assets of the Agricultural Development Advance Account, the depreciation has not been calculated on 31 December 2021 and sent to the provincial treasury.
- Accepted. It has been stated that the adjustments related to the year 2021 and previous years and from the year 2022 onwards will be done as needed.
- Action should be taken in accordance with Financial Rules 377.1 of the North Central Provincial Council.

#### 1.5.7 Head 622 – Department of Animal Production and Health of North Central Province

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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<b>North Central Province Animal Development Advance Account</b>		
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(a) The value of the buildings, animal sheds, vehicles and equipment owned by Tirappane Animal Farm was not valued and recorded in the property, plant and equipment register and accounted for during the year under review.	It has been stated that the value of the assets will be assessed and accounted for in the year 2022.	All assets must be recorded and accounted for in the property, plant and equipment register.
(b) The following facts that should be disclosed according to the provisions of Sri Lanka Public Sector Accounting Standard No. 18, in the accounting of biological assets by agricultural entities were not disclosed in the advance account.	It has been stated that action will be taken from the year 2022 as indicated.	Action should be taken according to the provisions of Sri Lanka Public Sector Accounting Standard No. 18.
(i) A description of each biological asset category of the entity.		
(ii) Details of the nature of their activities in relation to each category of biological assets.		

- (iii) Details of non-financial measurements or estimates of the physical quantities of each group of biological assets of the entity at the end of the period;
- (iv) The methods and significant assumptions used by the entity in determining the fair value of each category of biological assets.

#### 1.5.8. Head 631 - North Central Province Department of Health Services

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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<p>(a) In accordance with paragraph 01 of the Circular No.02-133/2013 of Secretary to the Ministry of Health dated 02 September 2013 and paragraph 4(a) and (b) of paragraph 03 of the Drug Management Manual, although, the Institutional Drug Therapeutic Committee meetings should be held 06 times in a year, the Polonnaruwa Regional office of the Medical Officer of Health had held one meeting for the year 2019 and one time for the year 2021, and the committee meetings had not been held for the year 2020.</p>	<p>The Provincial Director of Health Services has been informed to order that these committees be held as scheduled in the future.</p>	<p>The meetings of the Institutional Drug Therapeutic Committee should be held in accordance with paragraph 01 of the Circular No. 02-133/2013 of Secretary to the Ministry of Health dated 02 September 2013 and paragraph 4(a) and (b) of paragraph 03 of the Drug Management Manual.</p>
<p>(b) Until the stocks of drugs removed from use were destroyed, they were stored insecurely in the drug warehouse of the drug supply department of the North Central Province Health Services Department for more than 04 years. The department also did not have information about the names, date of manufacture, date of receipt, expiry date and quantity of the said drug stock. Also, 75 types of expired medicines and 83 surgical instruments are in that warehouse from the year 2018, and 294,813 units of medicines related to 124 items that were expired from the year 2017 are in the warehouses of the Polonnaruwa Health Services Director's Office and the Office of the Medical Officer of Health, out of the drugs that were not</p>	<p>Due to the lack of space in the warehouses, it has been stated that the stocks of drugs that have been removed from use are also stored in the same general drug store.</p>	<p>Disused drug stocks should not be stored in the same warehouse along with generic drug stocks.</p>

estimated and not requested but received in the years 2020/2021, 1684 expired drugs were also at the Anuradhapura Regional drug stores.

- (c) System Verification of comparison of physical stock balances of Anuradhapura Regional medical Supply Division with Medical Supply Management Data System (MSMIS) balances was not done after 31 December 2018 and Medical Supply Management Data Systems (MSMIS) were not established in 22 regional hospitals in the North Central Province.
- It is stated that the relevant departments will be notified to establish Medical Supply Management Data Systems (MSMIS) in 22 regional hospitals and system stock verification will be done from the year 2022 to compare the physical stock balances of other hospitals with the balances of the data system.
- System verification should be done every year.
- (d) The engineering estimate for the construction of the Nachchaduwa office of the Medical Officer of Health was Rs.37,330,840 and the value of the only bid submitted was Rs.43,038,725. The said bid exceeded the engineering estimate by Rs.5,707,885, but without getting the contractor to agree to carry out the works related to the engineering estimate or calling for bids again, the North Central Province Health Services Department entered in to an agreement on the value of the bidder on 28 October 2021 and paid a sum of Rs.12,660,000 as advance to commence the work. Due to lack of adequate legal and administrative consideration of the ownership of the land proposed for construction, the construction work had not started on the basis of a later problem and a permanent construction had been carried out by a local authority. However, the advance payment of Rs. 12,660,000 had not been recovered.
- It has been stated that action will be taken to recover the advances and disciplinary inquiries will be conducted against the responsible officers.
- Advances should be recovered and disciplinary action should be taken promptly against the responsible officials.

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| (e) Out of the land and buildings of the 124 institutions owned by the Provincial Health Services Department as at 31 December 2021, only the values of 05 lands and 17 buildings were included in the fixed assets register.   | It has been stated that formalization will be done within 02 months.  | All assets should be included in the fixed assets register.   |
| (f) Of the 293 government quarters owned by the North Central Province Health Services Department, officials are residing in 201 government quarters, but rent has not been collected from 27 government quarters.  | Not answered.   | House rent should be collected from all officials residing in government quarters.  |
| (g) 05 vehicles belonging to Polonnaruwa Directorate of Health Services, which had been withdrawn from use, were parked unsafely in Pulastigama and Jayantipura hospital premises, while another 06 vehicles were withdrawn from operation as they needed to be repaired.   | It is stated that the value of 06 micro vehicles has been assessed and forwarded to the Chief Secretariat for further work. | The remaining vehicles should be repaired and used or if this is not possible, arrangements should be made to auction them. |
| (h) The blood transfusion units in the two hospitals, Tambuttegama and Kabithigollewa, had been handed over to the public, but had failed to start due to management weaknesses until 31 December 2020. Accordingly, out of the amount of Rs.90.8 million that had been spent including the 08 blood dialysis machines given to these 02 hospitals, the kidney patients had not received any treatment and the said buildings and equipment remained unused.  | Accepted  | Actions should be taken to fulfil the purpose of providing benefits to kidney patients.                                     |
| (i) The engineering estimate related to the repair of the storage complex of the Anuradhapura Provincial Medical Supply Department carried out in the year 2020 on the provisions of the Ministry of Health and Indigenous Medicine was Rs. 4,166,085 and it was contracted on the minimum bid of Rs.3,339,057. Even so, the contracted amount was exceeded by 18 percent, i.e. Rs.593,733, and Rs. 3,932,790 was paid to the contractor. It is observed that it exceeds the next lowest bid by Rs.478,219. | It has been stated that an investigation will be conducted to find out the reasons.   | Payment shall be made only in accordance with the agreement.  |

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| (j) | 633 vacancies in the Health Cadre, including 14 specialist medical officers and 42 other medical officers, had not been filled. | Accepted | Arrangements should be made to fill the existing vacancies in the health sector cadre. |
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**1.5.9 Head 632 - Department of Ayurveda- North Central Province**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
----- It was not possible to transfer the ownership of 27 acres of Galadivulwewa Herb Garden, 03 acres of Nadun Sewana, Telihiriya Herb Garden and 02 Rood 12 perches of Palugaswewa Herb Garden etc. which are developed and maintained with government funds, from the Sri Lanka Mahaweli Development Authority and Palugaswewa Divisional Secretary, to the Provincial Department of Ayurveda in the year under review.	----- These herb gardens are located in Mahaweli areas, and the Mahaweli Authority has stated that it does not want to hand over the ownership of those lands.	----- The ownership of the herbal gardens developed by the Provincial Ayurvedic Department should be transferred to the Department.

**1.5.10 Head 640 - North Central Province Ministry of Cooperatives, Trade and Food, Transport, Sports and Youth Affairs and Industrial Development**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
----- (a) According to paragraph 9.6 of Chapter VIII of the Establishment Code, travel on duty on a public holiday shall not be counted as working for the purpose of holiday pay and if the said journey is actually done for the performance of a duty, only leave for leave can be obtained for that, but the Provincial Ministry of Transport, Sports and Youth Affairs, Cooperatives, Trade, Food and Industrial Development and the Provincial Cooperative Development Department had paid holiday wages of Rs.368,267 to two staff officers on 23 occasions for going away from the office for field duties.	----- Accepted. It has been stated that it will be corrected in the future.	----- Action should be taken as per paragraph 9.6 of Chapter VIII of the Establishment Code.

- (b) Two vehicles worth Rs. 30,500,000 belonging to the Ministry of Provincial Transport, Sports and Youth Affairs, Cooperatives, Trade, Food and Industrial Development remained unusable due to lack of proper repair and maintenance for a long time. Accepted. The 02 vehicles should be repaired and used or if that is not possible, arrangements should be made to auction them.
- (c) Any officer of those offices can enter to the revenue license issuing system of the North Central Provincial Department of Motor Vehicles without permission and there is a possibility to fraudulently issuing Income Permits without last year's Income Permit, emission Certificate, Insurance Certificate and possibility of fraud in Vehicle Revenue Permits by deleting, altering, erasing outstanding revenues, related to the issued Revenue Permits, due to errors in the system and the institution such as; using the user accounts and related passwords by the divisional secretariats provided by the admin of the provincial motor vehicle department without changing them, filing the passwords related to the user accounts given to the counter of the department and divisional secretariat offices by the admin of the department, 03 user accounts of Operator, Supervisor and Admin and their respective passwords giving to the person working at the counters of the Department and Divisional Secretariat Offices, the ability to add users to the system without authorized written consent, Ability to install the Ubuntu (UBUNTU) operating system available on the Internet and access the revenue licensing system. Also, despite the existence of such frauds, Accepted. It has been stated that necessary directions and orders will be issued to rectify the deficiencies. In order to prevent vehicle revenue license income fraud, the department should introduce control practices and ensure that these control practices are properly implemented.



it has also been stated that the Sri Lanka Information and Communication Technology Agency, which has sold this system to the North Central Provincial Motor Vehicles Department, is unable to find out who has committed the frauds.

#### 1.5.11 Head 641 - Cooperative Development Department of North Central Province

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) The resolution or arbitration of disputes arising out of the recovery of loans given by cooperative societies to their members/employees is entrusted to the Cooperative Development Commissioner/Registrar in terms of Section 58(2) of the North Central Province Cooperative Statute No. 05 of 2009 and Out of 1774 disputes in Anuradhapura District, 306 disputes have not been arbitrated as at 31 December 2021. Also out of the receipt of dispute settlement fees and court fines relating to arbitrated disputes, the cooperative societies related to an amount of Rs.215,055 could not be identified.	The number of disputes that have not been finalized was 306 and the amount of court fine related to enforced disputes was Rs.215,055.	All arbitration proceedings should be completed without delay and the co-operative societies related to the court fines received for the disputes which have been arbitrated should be identified.
(b) Although action should be taken for the appeals received to the Registrar for settlement of arbitral disputes in respect of a registered co-operative society as per Section 58(3) of the Co-operative Societies Statute No. 05 of 2009, no action was taken on 40 appeals received by the North Central Province Cooperative Commissioner/ Registrar. For these appeals, the appellants had deposited an appeal deposit of Rs.2,075,850 in the Provincial Cooperative Development Commissioner's Department.	It has been stated that the proceedings related to 05 appeals have been completed.	All appeals should be processed expeditiously.

**(c) North Central Provinces Cooperative Employees' Pension and Social Security Benefit Scheme**

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| <p>(i) The financial statements of the years 2015, 2016, 2017, 2018, and 2019 related to the North Central Province Cooperative Employees' Pension and Social Security Benefit Scheme were not submitted for audit and therefore it was not possible to audit the financial statements of the years 2020 and 2021 that were submitted for the audit.</p>   | <p>It has been stated that arrangements will be made to submit the financial statements as soon as possible.</p> | <p>Financial statements must be submitted for audit on the due date.</p> |
| <p>(ii) It is credited a sum of Rs. 500 per month from the currently working members who have obtained membership of the fund, Rs.500 per month by the cooperative society, and Rs. 10 million per year by the North Central Provincial Council to the Co-operative Employees' Pension and Social Security Benefit Scheme Fund, and more than Rs. 13 million have to pay annually, to 550 pensioners as pension. However, the balance of the fund was reached to Rs. 13 million by at 31 December 2021 but arrears of pension and benefits of Rs.2,854,037 payable to 34 members entitled to benefits for the period from 2018 to 31 December 2021 and the retirement benefits of Rs.312,602 to be paid at once to 07 members who had retired from the year 2011 to 31 December 2021 were not paid. Accordingly, it was observed that the payment of benefits from this fund is not sustainable.</p> | <p>Accepted.<br/>It has been stated that amendments will be made to solve these problems in the future.</p>      | <p>Activities should be done in a way that benefits all members.</p>     |

**1.5.12 Head 642 - Provincial Industrial Development Department**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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<p>(a) The rent of Rs.1,722,075 due for the period from 2016 to 31 December 2021 was in arrears from 42 showroom shops at the Viskam Piyasa building of the Industrial Development Department and</p>	<p>It has been stated that action will be taken to recover the rent legally.</p>	<p>Arrangements should be made to recover the rent as required.</p>

adequate measures were not taken to recover the shop rent.

- (b) According to Provincial Finance Rule 54.6, although a full report must be prepared within 03 months of the occurrence of a vehicle accident, a full report regarding a cab belonging to the Provincial Industrial Development Department that had met with an accident on 17 March 2021, had not been prepared by the audit date of 30 May 2022. Full insurance coverage was obtained for this cab but failed to get insurance compensation for the loss of Rs.109,500 as per the initial report due to improper connection of a fuse in the vehicle. According to the initial report, the loss is Rs.109,500. Financial rules should be followed and action should be taken against the officers who have not arranged for insurance compensation.
- (c) **North Central Province Carpentry School Activity Advance Account**  
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Due to the sale of products on credit basis, the outstanding debtor balance for more than 02 years was Rs.1,903,236, as per the Carpentry School Activities Advance Account as at 31 December of the year under review and out of which the outstanding balance for more than 04 years was Rs.1,041,261. Accepted All loans should be recovered.
- (d) **North Central Province Textile Activities Advance Account**  
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The sales amount of the year under review as per the Textile Activities Advance Account was Rs.13,856,294, and the finished stock calculated at cost of handloom textiles as at 31 December 2021 was Rs.40,057,252. While the closing stock was 289 percent of as it takes almost 03 years to convert into sales, it is observed that the net realization value of the finished stock of handloom textiles may be very low. Finished stocks are charged to manufacturing cost. It has been stated that it will be calculated at net realizable value in the future. Inventory shall be calculated at the lower of cost or net realizable value.

**1.5.13 Head 651 - North Central Province Irrigation Department**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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**Quality Control Advance Account of North Central Province Irrigation Department**

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In accordance with Provincial Finance Rule 368.2, the fixed asset register related to the advance account had not been updated including full details of each fixed asset subject such as its cost introduction, date of acquisition, annual rate of depreciation and location, etc.	Accepted. It is stated that action will be taken to update in the future.	In accordance with Provincial Financial Rule 368.2, arrangements should be made to update the fixed asset register.
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**1.5.14 Head 653 – Provincial Rural Development Department**

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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**North Central Provincial Rural Development Fund Account**

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(i) In order to achieve the goals and objectives of the North Central Provincial Rural Development Department, the Rural Development Fund has been established in accordance with Section 26(1) of the Rural Development Charter No. 03 of 2011 of the North Central Provincial Council, but the amount of Rs. 1,581,477 in the fund's bank account on 31 December 2021 it was not employed to achieve those aims and objectives.	It has been stated that action will be taken to invest in a fixed deposit.	The fund should work to achieve the goals and objectives of the Rural Development Department.
(ii) According to Section 27 of the Rural Development Charter, the fund should be governed by the rules that may be made by the minister in charge of rural development, but even though 10 years have passed since the adoption of the charter, the rules of the fund have not been prepared. In the event that the provincial council is dissolved, the powers of the ministers are transferred to the governor, but due to the fact that the governor has not prepared the same rules, no transaction was done in the year under review.	Referred to the Governor.	Rules are to be prepared for the fund.

**1.5.15 Head 660 – North Central Province Chief Secretariat**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) There were 09 revenue codes for which the Chief Secretary of the North Central Province works as a revenue counting officer, and the observations related to them are shown below.		
(i) Although the estimated revenue related to 02 revenue codes was Rs.110,000,000, the actual income was Rs.146,972,812. Accordingly, the underestimate value prepared in relation to the said 02 revenue codes was Rs. 36,972,812, which was 34 percent of the estimated revenue.	Accepted	Estimated revenue should be close to actual revenue.
(ii) In the year under review, the estimated revenue related to 06 revenue codes was Rs.939,250,000 but the actual revenue was Rs.692,373,238. Accordingly, the overestimate value prepared in relation to the said 06 revenue codes was Rs. 246,876,762, which was 26 percent of the estimated revenue.	Accepted	Estimated revenue should be close to actual revenue.
(iii) Revenue estimates were not prepared for Nation Building Tax under revenue code 1002.12.00 in the year under review, but the actual revenue for the year was Rs.9,521,752.	Accepted	Estimates should be prepared for all revenue.

**1.5.16 Head 661 – North Central Provincial Treasury**

<b>Audit Observation</b>	<b>Comment of the Chief Accounting Officer</b>	<b>Recommendation</b>
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(a) According to note 10 of the financial statements of the North Central Provincial Council of the year under review, the total of deposit account	It has been stated that Rs.3,180,031 in Higurakgoda Divisional Secretariat, Rs.6,330 in	Deposit balances that have exceeded 02 years should be dealt with according to the financial

- balances as at 31 December of the year under review was Rs.543,403,854, out of which the total of the balances exceeding 02 years was Rs. 43,375,481.
- Nochchiyagama Divisional Secretariat and Rs.9,810 in Tamankaduwa Divisional Secretariat have been settled.
- (b) According to note 10 of the financial statements, in the balance of Rs.62,809,930 indicated under deposit accounts related to the provincial treasury, there was also a deposit balance of Rs.62,191,229 related to 13 Divisional secretariats. Out of these, the deposit balances of Rs. 29,303,471 related to 07 Divisional Secretariats had exceeded more than 02 years.
- The deposits of Rs.129,791,453 in the Chief Ministry and the deposits of Rs.13,358,410 in the Chief Secretariat are retention money related to unfinished contracts, and it is stated that the amount of Rs.269,341 related to the Provincial Agriculture Department and the amount of Rs.788,031 related to the Provincial Education Department have been transferred to the government revenue.
- Action should be taken according to the financial regulations regarding the deposit balances that have exceeded more than 02 years related to 07 Divisional Secretariat Offices.
- (c) The North Central Provincial Council received an advance of Rs.1,595,033,325 in the year under review, from sources such as Ministries/Departments, Foreign Projects, National Budget Department, etc., but the amount of Rs.422,111,609 received from 07 sources are saved, and that savings was ranged from 06 percent to 100 percent from the total amount received.
- The institutes which provide imprests are planning them and release funds to the Provincial Council only for implementation. It is stated that payments have been made only for implemented projects.
- All imprests received should be used.
- (d) The estimated amount in the year under review, related to 04 projects namely Climate Friendly Project, Small Scale Agribusiness Participation Program (SAPP), Saubhagya Agriculture Development Program and Irrigation Prosperity was Rs.1,525,549,163, and due to poor implementation progress, the total amount received during the year was Rs.278,100,287. It was 18 percent of the estimated amount.
- A sum of Rs.1,525,549,163 have been approved as per the request of the related projects, but according to the progress of the project operation, the amount given by the Project Management Office is Rs.278,100,287.
- To receive all imprests as estimated, expected progress should be achieved.

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| (e) | Out of the imprests of Rs.273,756,124 received from 02 Ministries of the Central Government in the year under review, the savings of Rs.66,192,651 as at 31 December had been returned. The amount returned was 24 percent of the imprests received. | The institutes which provide imprests are planning them and release funds to the Provincial Council only for implementation. It is stated that payments have been made only for implemented projects. | All imprests received must be utilized. |
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(f) **North Central Province Emergency Fund**

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For the purpose of bearing unexpected expenses in the North Central Province, the Emergency Fund has been established in accordance with Article 02(1) of the Emergency Fund Statute No. 02 of 1989, but during the period from the date of establishment of the fund to 31 December 2021, advances were not given from this fund for emergencies in the North Central Province. It was observed that the balance of the fund as at 31 December 2021 was Rs. 30,131,572.

Not answered.

There is no authority to collect money beyond the limit of the fund, so it is not necessary to collect money beyond the limit.

**1.5.17 Head 662 – North Central Province Planning and Operations Department**

**Audit Observation**

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**Comment of the Chief  
Accounting Officer**

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**Recommendation**

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An amount of Rs.27,606,176 had been spent for the preparation of a ten-year sustainable integrated development plan to be implemented from the year 2018 for the North Central Province with the financial contribution of Rs.27,660,000 from the United Nations Development Program. The following facts were revealed in that regard.

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| (i) | Although the Chief Secretary of the North Central Province and the Vice-Chancellor of the Rajarata University of Sri Lanka had signed a memorandum of understanding to cooperate in the economic, social and environmental development of the North Central Province during | Not answered | Activities should be done in accordance with the MoU. |
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the preparation of the Sustainable Integrated Development Plan and contrary to the said agreement, agreements were also made with university lecturers and payments were made to those lecturers for their services and the use of physical resources of the university.

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| (ii) The North Central Provincial Council failed to provide information regarding the objectives of preparing the book called "Gama" which was mainly used in the preparation of the Sustainable Integrated Development Plan, the people involved in its preparation and the amount spent for it. | Not answered. | Information should be provided regarding the objectives of preparing the book, the people involved in its preparation and the amount spent on it. |
| (iii) An amount of Rs.27,606,176 has been spent for the preparation of the ten-year sustainable integrated development plan that was to be implemented from the year 2018, but the said plan had not been prepared by 17 October 2022.  | Not answered. | This plan should be prepared to achieve the Sustainable Development Goals.  |

#### 1.5.18 Head 663 – North Central Province Engineering Department

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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<b>Quality Control Advance Account of North Central Province Engineering Department</b>		
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No transaction related to quality control advance activities was subjected to internal audit in the year under review and no internal audit was carried out in the previous year either.	Accepted	Transactions related to advance accounts should be subject to internal audit.



### 1.5.19 Head 665 – North Central Province Revenue Department

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
(a) Although the Director General of Management Services had approved 11 posts of Grade III or II Income Assessor/Senior Income Assessor for the North Central Province Revenue Department, in the process of recruitment and promotion of officers of the North Central Province Revenue Service effective from 01 January 2016, the grade of Income Assessor/Senior Income Assessor posts was stated as II or I. Based on that wrong recruitment and promotion procedure, 04 senior assessors were promoted to Grade I and an amount of Rs. 2,639,652 was overpaid to those officers as salaries and allowances and incentives.	It has been stated that the recommendations of the National Salary Commission have been followed.	Only titles and grades approved by the Director General of Management Services shall be included in the recruitment and promotion process.
(b) Although the estimated revenue of 06 revenue codes for which the North Central Provincial Revenue Commissioner is acting as a revenue accounting officer was Rs.87,500,000, the actual revenue was Rs.61,662,545. Accordingly, the overestimated value was Rs. 25,837,455, which was 30 percent of the estimated revenue.	Accepted	Revenue officers should take action to prepare their estimates as realistically and accurately as possible.

### 1.5.20 North Central Province Road Development Authority

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
(a) Although it was confirmed that the educational certificates submitted by two officials who were recruited in the years 2005 and 2011 for the positions of technical officer and management assistant of the North Central Provincial Road Development	Accepted	After confirming that the education certificates submitted at the time of recruitment are fake, the concerned officials should be removed from service.

Authority were fake, Instead of taking disciplinary action in connection with the offence, the said two officers have been paid a total of Rs.12,050,063 from the date of recruitment to 31st December 2021 as salary and allowances and they are still employed.

- (b) An officer who was recruited to a management assistant position in the North Central Province Road Development Authority effective from 01 August 2004 was assigned to various ministries from that date to 31 December 2021 and the authority paid him Rs.8,216,229 as salary and allowances. But the said amount was not reimbursed by the ministries to which the officer was attached. Also, a sum of Rs.1,001,012 had been paid to the officer for the time he worked outside the authority as road development authority allowance which is paying to the employees of the Provincial Road Development Authority. An amount of Rs.150,151 was also paid to the Employee Provident Fund and the Employee Trust Fund in relation to that allowance.

Accepted

The officers who are recruited for the service of the authority must be employed in the service of the authority and if they are assigned to another institution, the salary and allowances of the officer must be reimbursed by that institution.

- (c) According to Management Services Circular No.03/2018 dated 18 July 2018, recruitment of staff without the prior approval of the Management Services Department should be avoided and the Chief Secretary, Head of Department, Head of Institution and Head of Finance shall bear the responsibility of acting contrary to those instructions. However, contrary to the said

Accepted

Staff shall not be recruit without the prior approval of the Management Services Department.

instructions, the North Central Provincial Road Development Authority had recruited 06 officers in the period from 2009 to 2019 beyond the approved number of employees for the 03 posts of planner, data processor, labor controller. A total of Rs.18,356,162 had been paid to the said 06 officers from the date of their recruitment to 31 December 2021.

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| (d) | Action had not been taken as per F.R.570 regarding 22 expired contract retentions and tender deposits amounting to Rs.2,114,525.   | It has been stated that it will be settled in the year 2022. | Action should be taken according to the financial regulations 570..      |
| (e) | At the end of the year under review, the Authority had not taken action to collect an amount of Rs.35,944,342 from the Ministry of Public Administration, Home Affairs and Provincial Councils and Local Government for the advisory services provided by the Authority in the year 2019 to the Pibidemu Polonnaruwa program which has ended in the year 2019. | Accepted   | Arrangements should be made to collect the receivables in due time.      |
| (f) | The sum of Rs.1,226,803 of gratuity provision for 03 officers who have left the service of the authority was not paid to the officers even in the year under review and was brought forward in the financial statements of the authority.  | accepted   | The gratuity of the retired officers should be settled as per scheduled. |

### 1.5.21 North Central Provinces Road Passenger Transport Services Authority

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) 12 shop rooms at Kekirava Bus Stand belonging to the North Central Province Road Transport Service Authority were leased to businessmen from 2002 to 2016 at a monthly rent of Rs.2,000 from time to time without any new assessments or lease revisions. Also, no arrangements were made in the year 2021 to transfer the ownership of the land where the shops are located to the authority.	Accepted	The value should be assessed and the lease rental should revise.
(b) Necessary arrangements were not made to collect rent of Rs.3,523,009 due on 31 December 2021 for 65 shops located at Kekirawa Bus stand and although the original lessee had sold or sub-leased 06 shop to other persons, the authority had failed to take any legal action against those who had sold or sub-leased the shops due to the fact that no agreement had been signed.	Accepted	Actions should be taken to recover the rent due.
(c) Although the authority carried out various constructions of 14 bus stands and maintained them, the ownership of those lands was not transferred from the Kekirawa local council to the authority in the year 2021.	As these lands are owned by the local authorities, efforts were made to obtain their consent, but it was stated that the consent was not received.	Should be done according to the statute.
(d) According to 6(2) I of the Road Transport Service Authority's Charter No. 03 of 2013, the Authority had not performed the 13 main tasks to be performed in relation to three-wheeler services, such as registration of three-wheelers, registration of drivers and issuance of permits.	It has been stated that necessary arrangements will be made in the future.	Should be done according to the statute.

### 1.5.25 North Central Province Early Childhood Education Development Authority

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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(a) Teacher's allowances of Rs.900,000 that should have been paid to teachers working in pre-schools supervised by the Early Childhood Education Development Authority for the month of October 2014, and computers, loudspeakers and other equipment amounting to Rs.286,408 held by the authority, had been fraudulently taken away by the Managing Director, who served in the Authority between 14 November 2013 to 14 March 2015, but legal action against him had been delayed until the year 2022.	A case has been filed.	An inquiry should be made into the delay in taking legal action and the legal action should be expedited and the culprits should be punished.
(b) Surcharges of Rs. 412,749 were imposed due to non-payment of contributions to the Employees' Trust Fund on time and action had not been taken to make disclosures in financial statements and make payments, and take disciplinary action against officials responsible for the delay.	It has been stated that the surcharge will be recovered from the responsible officers.	The surcharge shall be recovered from the responsible officers.
(c) An amount of Rs. 5,967,434 in the North Central Province Early Childhood Education Development Fund had been invested in a fixed deposit for a long time, and no steps had been taken to achieve the objectives expected to be achieved by establishing the fund.	It is indicated that the objectives will be fulfilled.	Actions should be taken to achieve the objectives.

### 1.5.26 North Central Province Development Design and Machinery Agency

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) A sum of Rs.7,189,412 from the income of printing presses, Rs.5,784,063 from the rental income of machines, Rs.6,277,612 from the income of security sector, Rs.10,314,119 from the income of vehicle repair sector, Rs.3,664,700 from vehicles Servicing revenue of and Rs.1,793,973 tire service center revenue remained without recovered which has to be collected from government institutions regarding the period from 2015 to 31 December 2021 and out of which, a sum of Rs.6,228,275 or 87 percent, Rs.1,190,485 or 21 percent, Rs.3,488,463 or 56 percent, Rs.1,542,071 or 15 percent, Rs.605,162 or 17 percent and Rs.671,005 or 37 percent was in arrear for a period ranged from 02 to 06 years.	Accepted	All revenues must be collected within the prescribed period.
(b) The amount of value added tax of Rs.16,011,120 and goods and services tax of Rs.8,966,846 had not been remitted to the Commissioner General of Inland Revenue for more than 13 years.	It has been stated that settlement is being done in consultation with the Inland Revenue Department.	All taxes must be paid on time.
(c) In relation to the period from 2015 to December 31, 2021, there were a total of Rs. 9,506,813 payable printing costs, tire service center costs and payable spare parts costs, of which a total of Rs. 5,258,106 remained outstanding for the period from 02 to 06 years.	It has been stated that arrangements will be made for immediate settlement.	All payable expenses must be settled.

### 1.5.27 North Central Province Industrial Development Authority

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
(a) Due to the fact that measures to be taken against defaulters were not included in the loan agreement, out of the entrepreneurship loans of Rs.20,563,940 issued by the Provincial Industrial Development Authority on 31 December of the reviewed year, legal action could not be taken in respect of 45 loan balances amounting to Rs.2,755,237 which remained uncollected for more than 05 years.	It has been stated that action will be taken to recover the recoverable loans and writing off the remaining loans.	All loans should be recovered.

### 1.5.28 North Central Province Library Services Board

Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
The amount of Rs. 2,000,000 that had been invested in a fixed deposit for a long time was not taken to achieve the desired goals by establishing the North Central Provincial Library Service Board.	Accepted	Steps should be taken to fulfill the objectives to be achieved by establishing the Provincial Library Service Board.