

North Central Provincial Council - 2013

The audit of financial statements of the North Central Provincial Council for the year ended 31 December 2013 comprising the statement of financial position as at 31 December 2013 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act, No. 42 of 1987. This report is issued in terms of Section 23(2) of the Provincial Councils Act. A detailed report to be tabled in the Provincial Council on the audit observations appear in this report will be issued in due course.

1.2 Management ' s Responsibility for Financial Statements

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

1.3 Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risks

assessments, the auditor considers internal control relevant to the North Central Provincial Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the North Central Provincial Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

1.4 Basis for Qualified Opinion

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

2. Financial Statements.

2.1 Qualified Opinion

In my opinion, except for the effect of the matters described in Paragraph 2.2 of this report, the financial statements give a true and fair view of the financial position of the North Central Provincial Council as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

2.2 Comments on Financial Statements

2.2.1 Provincial Council Fund

Financial statements relating to the Provincial Council Fund for the year under review had been presented to audit on 31 March 2014.

2.2.2 Other Accounts

The progress of presentation of other accounts of the Provincial Council for the year under review as at 30 April 2014 is given below.

		Relating to the year 2013			Relating to the
		Total No. of accounts	No. of accounts presented	No. of account not presented	previous years
		-----	-----	-----	-----
(i)	Appropriation Accounts	30	30	--	--
(ii)	Accounts	23	23	--	--
(iii)	Advances to Provincial Council Public Officers	61	47	14	--
(iv)	Commercial Advance Accounts	06	05	01	--
(v)	Fund Accounts	07	01	06	17
(vi)	Statute Accounts	05	04	01	--
(vii)	Self-employment Scrolling Loan Advance Accounts	01	01	--	02
		-----	-----	-----	-----
		133	111	22	19
		=====	=====	=====	=====

2.2.3 Accounting Policies

All income and expenditure of the Provincial Council Fund had been shown in the financial statements on the cash basis.

2.2.4 Accounting Deficiencies

The following observations are made.

- (a) Even though the personal emoluments and operating expenditure totalling Rs.8,817,058,688 shown in the cash flow statement under cash generated from operating activities had included the total salaries and wages amounting to Rs.4,663,675,773, adjustments for the installments on loans and advances and interest thereon, house rent etc. recovered from the salaries of Public Officers had not been made. As such, cash outflows had been overstated by such deductions.

- (b) Eventhough, it was disclosed that the Financial Statements had been prepared in accordance with Generally Accepted Accounting Principles, Liabilities totalling Rs.119,806,619 relating to various institutions of the Provincial Council as at 31 December 2013 and all assets purchased out of the Provincial Council Fund from the beginning of the Provincial Council on 12 May 1988 upto the end of the year under review, including the assets valued at Rs.494,620,243 purchased during the year under review had not been shown in the financial statements as current liabilities and assets.

- (c) The value of 4 Funds totalling Rs.19,340,075 opened and operated by the North Central Provincial Council but not covered by the approved statutes and the interest income earned on these funds during the year under review amounting to Rs.1,832,096 had not been shown in the financial statements.

	Fund	Interest Income
	Rs.	Rs.
Tsunami Relief Fund	151,972	445,315
Mankulam Railway Station Development Fund	4,328,320	643,560
Ranaviru Seva Fund	6,102,235	9,589
Agro Products Marketing Scrolling Fund	8,757,548	733,632
	19,340,075	1,832,096
	19,340,075	1,832,096

(d) Receipts of interest on investments amounting to Rs.121,421,578 to be shown as cash flows from investment activities in the cash flow statement, it had been shown under flows from operating activities.

2.2.5 Unreconciled Control Accounts.

According to the financial statements of the year under review and the performance report the balances relating to 06 items of accounts totalled Rs.3,636,315,085 whereas such balances according to the control accounts totalled Rs.3,265,862,998.

Item of Accounts	Control Account	Balance as per Financial Statements and performance reports	Balance as per control accounts	Difference
		Rs.	Rs.	Rs.
Government Capital Grants	Appropriation Account - 317	3,134,869,730	3,109,471,581	25,398,149
Income	Accounts	24,122,840	16,257,299	7,865,541
Balance of 4 General Deposit Accounts	} Summaries of Control Accounts of General Deposit Accounts	328,678,218	89,181,998	239,496,226

Debit balances of 02 Public Officers Advance Accounts	}	Summaries of control accounts relating to advance accounts	14,420,686	14,660,379	(239,693)
Debit balances of 2 Commercial Advance Accounts		Summaries of control accounts relating to advance accounts	28,288,263	25,218,263	3,070,000
Imprest balances		Summaries of control accounts relating to imprest accounts	5,935,348	11,073,478	(5,138,130)
			-----	-----	
			3,636,315,085	3,265,862,998	
			=====	=====	

2.2.6 Lack of Evidence for Audit

The following observations are made.

(a) Unreplied Audit Querries

Replies to 24 audit querries out of the querries relating to the year under review and 11 audit querries out of the querries issued relating to the previous years had not been received by 03 November 2013. The quantifiable value of transactions, subjected to those querries had been Rs.2,246,081,395.

(b) Non-maintenance of Books and Records.

Registers of Fixed Assets, Register of Losses and Damages, Register of Liabilities, Ledger Accounts, Inventory Registers, Debtors/ Creditors Registers, Advance Registers had not been maintained by 19 institutions of the Provincial Council in the year under review.

(c) Non-presentation of Information

The following observations are made.

- (i) Distribution lists of various equipments purchases by a Provincial Ministry and two Departments valued at Rs.1,162,408 for the distribution among the beneficiaries were not made available for audit.

Institution -----	Equipment Purchased -----	Value -----
		Rs.
Department of Provincial Probation and Child Care	1000 instrument boxes, 05 teak tables, 01 washing machine	294,600
Ministry of Provincial Education Information Technology and Cultural Affairs.	2 Loudspeakers, 318 asbestos sheets, 169 mamoties, 08 sewing machines	289,040
Provincial Department of Agriculture	4000 packets of paddy at 2 kg, per each, 31150 of parashoot plates	578,768

		1,162,408
		=====

- (ii) Deeds or tile certificates to ensure the extent of lands and their ownership belonging to the office of the Director of Provincial Animal Products and Health Department, fold centres, and regional veterinary centres were not made available for audit.

- (iii) All equipment including video cameras purchased for the media unit of the first terms of office of the North Central Provincial Council, the value of which was not revealed had been misplaced. Eventhough it was

stated that these equipments had been handed over to the Accountant of the Chief Ministry in the year 1999, evidence to ensure that those equipment had been taken over by the Accountant was not made available for audit.

(d) Non- rendition of Payment Vouchers

Ninety six paid vouchers of the Chief Ministry and the Provincial Department of Health valued at Rs.19,329,891 were not been made available for audit.

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

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions observed at audit test checks are analyzed below.

Referance to Laws, Rules, Regulations etc.	Non-compliance
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(a) Acts	

(i) Employees Provident Fund Act No. 13 of 1958 and Employee Trust Fund Act No. 46 of 1980.	Action had not been taken to pay the contributions of Employees Provident Fund and Employees Trust Fund payable as at 31 December 2013 amounting to Rs.943,559 and Rs.141,534 respectively in respect of 20 employees recruited on contract basis by the Provincial Department of Social Services.
(ii) Provincial Councils Act No. 42 of 1987	Posts such as Leader of the Council, Leader of the Opposition, Chief Organizer of the Government whip. Chief Organizer of the Opposition whip, in contrary to the provisions of the Provincial Councils Act had been created and appointed the Council members to those posts and they had been given benefits which are not entitled to the Council members. A sum of Rs.6,392,063 had been paid in respect of

- those benefits in the year 2013 by the Provincial Council and the Council Secretariat.
- (iii) Section 20(1) of the Value Added Tax Act No. 14 of 2002 A sum of Rs.1,727,135 had been paid to 08 suppliers who had not submitted tax invoices in respect of supplies and services obtained by the Chief Ministry as value added tax. Such payment particulars had not been reported to the Commissioner General of Inland Revenue with a copy to the Auditor General in terms of Public Finance Circular No.364(3) of 30 September 2002.
- (b) Establishments Code

Paragraphs 5.2 and 5.3 of Chapter XIX Action had not been taken to recover the house rent amounting to Rs.183,596 recoverable as at 31 December 2013 from officers who had resided in the official quarters of 5 hospitals at Thambuththegama, Raganganaya yaya 5, Galenbindunuwewa, Kahatagasdigiliya and Senapura in the Anuradhaiura District.
- Paragraph 12 of Chapter XIX Eventhough a commuted travelling allowance had to be paid to field officers, contrary to that a sum of Rs.115,258 had been paid to an Animal Development Officer in the District Veternity Surgents Office, Anuradhapura in the year under review as transport allowance and conbined allowance under the Divineguma National Economic Development Program.
- (c) Provincial Financial Rules.

- (i) 177 A sum of Rs.873,022 had been paid on 25 uncertified vouchers by the Ministry of Provincial Education, Information Technology and Cultural Affairs.
- (ii) 261.2.2 In excess of the maximum limit of sub-impressts amounting to Rs.100,000 to be given, a sub-imprest of Rs.889,262 had

- been paid to an Assistant Director of Education for a educational qualitative program conducted by the Provincial Department of Education in Nuwaraeliya.
- (iii) 471.1 Goods valued at Rs.461,308 given by the Chief Secretariat to the Provincial Ministry of Education Information Technology and Cultural Affairs, and the furniture and office equipment valued at Rs.4,603,942 purchased in the year under review by the Ministry had not been posted to the Inventory of the Ministry of Education.
- (d) Paragraph 3.1 of the Circular No. CSA/P1/40 dated 04 January 2004 of His Excellency the President. Eventhough, only one official quarters and one telephone can be provided to a Provincial Council Minister, 03 telephones had been provided to two office quarters to the Provincial Minister of Agriculture.
- (e) Public Administration Circular No.11/90 of 10 October 1990. Eventhough the fuel consumption of all motor vehicles should be tested every 6 months, fuel consumption of Provincial Council vehicles had not been tested.
- (f) Procurement Guidelines of 2006. Purchase of goods and services valued at Rs.1,634,831 made by the Provincial Council Secretariat during the year under review exception to the Procurement Procedure.

2.2.8 Transactions not Supported by Adequate Authority

The following observations are made.

- (a) The imprest balance as at 31 December should be settled to the Provincial Treasury before 10 January next year or before a date determined by the Provincial Treasury. Nevertheless, according to the financial statements of the year under review, unsettled debit balances of 25 imprest accounts amounted to

Rs.385,183,708 as at 31 December out of which 83 per cent or Rs.318,744,138 should have been settled by the Provincial Road Development Authority.

- (b) Imprest balances totalling Rs.11,136,395 brought forward for more than 4 years shown in the financial statements of the year under review under unsettled imprest balances by the Provincial Ministries/ Departments and 12 institutions and there was no written evidence to ensure the correctness of those balances in those institutions.
- (c) There was an imprest credit balances of Rs.32,378 as at 31 December of the year under review unsettled by the Provincial Treasury and the Provincial Department of Agriculture.
- (d) Credit balances of 10 Advances to Provincial Public Officers Accounts totalling Rs.2,725,042 and a credit balance of a commercial Advance Account amounting to Rs.512,132 had existed as at 31 December of the year under review. Of these balances the total balances of 03 items of Advances to Provincial Public Officers Accounts for which action had not been taken to settle during the year under review or to take action to further improve the credit balances, amounted to Rs.1,685,324.
- (e) According to the letter No NCP/CM/Ed/8 iii dated 08 July 2009 of the the Secretary to the Governor, approval had been granted to pay the training allowances only for the year 2009. On the basis of that letter, a sum of Rs.1,715,000 had been paid as training allowances to the dancing and music groups in 12 instances during the year under review by the Provincial Ministry of Education Information, Technology and Cultural Affairs.
- (f) According to the supplementary No.25 of 23 July 2012 relating to the procurement manual, payments for attending to procurement committee meeting should not be made to procurement committee members, Technical Committee

Members alternate members, staff officers and other supporting staff where the value of procurements is less than Rs. 2 million in applying market price method or direct Contract method in terms of Guideline 2.9.1 . Nevertheless, a sum of Rs.818,850 had been paid by 9 institutions of the Provincial Council relating to 184 Committees in the year 2013 to such members participated in the meetings of Procurement activities involved less than that limit.

- (g) Eventhough, it was a main function of the North Central Province Engineering Department to provide consultancy services in respect of Engineering Constructions, the Provincial Department of Industrial Development had obtained Engineering Consultancy Services from a private entity for the construction of kada panaha market complex and paid a sum of Rs.3,290,592 to that institution during the period from 2009 to 2013.
- (h) An annual life insurance premium of Hon.members and Ministers and the Govenor amounting to Rs.1,387,391 had been paid out of the expenditure Head of Provincial Council and Council Secretariat. A formal approval for such payments and receipt obtained from the Sri Lanka Insurance Corporation or any other written evidence to ensure such payments were not made available for audit.

3. Revenue Management.

The Provincial Council had collected a revenue of Rs.2,326,770,418 during the year under review under the 23 revenue heads. Eventhough, an improvement of Rs.98,736,228 or 4 per cent had been indicated as compared with the revenue of Rs.2,228,034,190 in the previous year, the improvent of the income in the preceding year amounted to Rs.255,161,918, representing 13 per cent Similarly, the income of the 23 Heads in the year under review represented 23 per cent of the total income of the provincial Council whereas that percentage in the previous year had been 25. Audit observations on certain main Revenue Heads are given below.

Revenue Head No. and Particulars	Estimated Revenue	Actual Revenue	Increase / (Decrease)	Observations
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	Rs.	Rs.	Rs.	
10-03-01-01- Motor vehicles revenue license fees	255,000,000	350,171,800	95,171,800	Accounts had not been kept to identify the recovered revenue out of arrears of revenue as at 01 January 2013 amounting to Rs.29,756,828.
10-02-07-00- Stamp revenue	225,000,000	349,218,520	124,218,520	Stamp revenue had been collected more than 55 per cent of the estimated revenue.
20-02-01-01- House rent	14,000,000	15,315,195	1,315,195	House rent had been collected during the year under review. more than the estimated revenue by Rs.1,315,195.
20-02-02-03 Interest on Investments	90,000,000	121,421,578	31,421,578	As the revenue had been collected in excess of the estimated revenue by Rs.31,421,578 it was observed that estimating had not been realistic and correct.
10-02-12-00 Nation Building Tax	1,625,000,000	965,554,103	659,445,897	Revenue had been collected during the year under review less than the estimated revenue by Rs.659,445,897.
20-03-03-04 Fines on motor vehicles	5,000,000	19,497,218	14,497,218	Revenue had been collected more than the estimated revenue by 290 per cent and as such it was observed that the estimating was unrealistic and incorrect.
10-02-09-00 Business Turnover Tax	6,000,000	2,798,461	(3,201,539)	The actual Business Turnover Tax income had dropped by 53 per cent than the estimated income.
10-02-04-05 Local Liquor License Fees	24,000,000	16,254,046	7,745,954	Actual revenue had dropped by 32 per cent during the year under review than the estimated revenue.
10-02-07-01 Stamp fees on transfer of properties	52,000,000	65,377,442	13,377,442	Revenue had been collected during the year under review more than estimated revenue by 26 per cent.
10-02-05-04 Transfer of registration of motor vehicle fees	50,000,000	97,207,570	47,207,570	Revenue had been collected more than the estimated revenue by Rs.94 per cent.

by the Department of Motor Traffic.

20-03-03-01 Court Fines	180,000,000	152,413,895	(27,581,105)	Actual revenue of the year under review had dropped by 15 per cent than the estimated revenue.
20-02-01-03 Land Taxes	70,000,000	73,989,734	3,989,734	Revenue had been collected in excess of the estimated income by Rs.3,989,734.

The following observations are made.

- (a) Eventough, 1/3rd of the Nation Building Tax (NBT) collected by the Commissioner General of Inland Revenue should be remitted to each Provincial Council, the total Nation Building Tax collected by the Commissioner General of Inland Revenue on behalf of the North Central Provincial Council and whether the amount of one third of Nation Building Tax given to the Provincial Council by the Commissioner of Inland Revenue was equivalents to one third of taxes collected had not been established by the Council.
- (b) Eventhough, the Business Turnover Tax (BTT) had been revoked with effect from 01 January 2012 and action had to be taken only to collect the arrears of Business Turnover Tax the Provincial Commissioner of Revenue had not got approved an estimate Rs.6,000,000 for the collection of Business Turnover Tax for the year under review.
- (c) Out of the arrears of revenue on Stamp fees from transfer of properties as at 31 December of the previous year amounting to Rs.1,179,420, only a sum of Rs.495,342 or 42 per cent had been recovered during the year under review Despite the assessed income for the year under review amounted to Rs.52,000,000 and the collected net income amounted to Rs.65,377,442, an income of Rs.7,245,680 had been in arrear by the end of the year under review. Accordingly, an income of Rs.20,127,580 which had not been identified at the time of estimating had been

collected during the year, and as such it was observed that estimating of income had been unrealistic and inaccurate.

- (d) Eventhough, the from NC-100 had been issued by the Provincial Department of Revenue to all courts located within the North Central Province for the recovery of Court fines, an examination in respect of fines collected from those forms had not been carried out. As such the accuracy of the amount of fines remitted by the Court could not be satisfied. Further, without getting back the used receipt books, new receipt books had been issued. According, to the reply of the Provincial Commissioner of Revenue, all fines collected by the court are not remitted to the Department.
- (e) As the Provincial Land Commissioner's Department had not maintained the registers, indicating the extent of lands for which taxes to be recovered, the amount to be recovered as taxes etc, the income on land taxes could not be specifically estimated and as a result, the arrears of revenue at the end of the year could not be computed.
- (f) Eventhough, the overall arrears of taxes as at 31 December 2012 amounted to Rs.123,498,097 only a sum of Rs.2,726,736 or 2 per cent there of had been collected during the year 2013. It had been a decrease of 6 per cent as compared with the collection of arrears of revenue in the previous year.
- (g) The Provincial Department of Revenue had not maintained an updated register for the Liquor License holders in order to ascertain the particulars such as the number of Liquor License holders registered in each Divisional Secretarial areas the amount of revenue from liquor License fees to be collected each year, the amount of revenue to be remitted to the Department by Divisional Secretariats, retained income without being remitted and the number of License holders who had not renewed their License etc.

(h) Eventhough, the copies of reports of registered businesses and the copies of registration certificates had been sent to the Revenue Accenting Officer monthly by each Divisional Secretariat, the revenue account had been prepared without ensuring the accuracy of the revenue received according to those reports and copies of certificates.

4. Financial Review.

4.1 Financial Results.

According to the financial statements presented a deficit of Rs.102,194,257 was indicated in the Provincial Fund Account for the year ended 31 December 2013 as compared with the deficit of Rs.729,914,922 for the preceding year.

4.2 Analytical Financial Review.

The recurrent expenditure and the Capital expenditure of the year under review had increased by Rs.1,024,578,920 as compared with that of the previous year. The financial result to had also increased by Rs.627,720,665 and the increase of Government Grants and non tax income by Rs.1,553,563,357 and Rs.98,736,228 respectively had attributed to that increase.

5. Accounts of Authorities/ Fund Accounts and Commercial Advance Accounts.

5.1 Authority Accounts/ Fund Accounts

Under the statues approved by the North Central Provincial Council 06 Authorities had been established and 06 Funds had been Commenced. Particulars are given below.

5.1.1 North Central Province Road Development Authority.

The accounts of the Authority for the year under review had not been presented to audit even by 25 November 2014 and the major observations revealed in audit are given below.

- (a) Without being confirmed the service of an officer who had been recruited to the post of Civil Engineer (Grade 3) of the Authority he had been released to the duties of the North Central Provincial Road Project for the full time period of 4 years, even without elapsing the service period of 18 months. Eight increments had been given to him in considering the 12 years service period in the private and public sector Projects service before the date of recruitment to the Authority. The benefit of such salary increments given to him since 01 April 2009 to the date of audit amounted to Rs.309,600 A loss was incurred to the Government as a result of recommendation of a duty free vehicle permit by considering his service period.
- (b) Deviation from the formal recruitment procedure for the vacant positions by calling for applications through newspaper advertisements by the Authority, 57 labourers had been recruitment during the period from 2008 to 2013 on the decision of the Board of Directors even without vacancies. A sum of Rs.10,180,882 had been paid as salaries and allowances to those labourers from January 2011 to December 2013. Of those labourers, 8 had been deployed to the duties of the Chief Minister.
- (c) A female Technical Officer of the Authority who had no required qualifications had been appointed to the post of Civil Engineer (Grade 4) since 20 April 2012. Salaries and allowances totalling Rs.788,112 had been paid to this Technical Officer for the period upto 31 December 2013 from the date of promotion relating to her promotion.

5.1.2 North Central Province Development Construction and Machinery Agency

The following observations are made in respect of financial statements of the Agency for the year under review.

- (a) In terms of Section 14 of the Value Added Tax Act No. 14 of 2002, such taxes amounting to Rs.201,244 on the revenue of Tyre Services Division totalling Rs.1,878,286 in the year under review had not been remitted to the Commissioner General of Inland Revenue.
- (b) As the contribution payable to the Employees Trust Fund had not been paid on due dates in terms of Employees Trust Fund Act No. 46 of 1980 and No.18 of 1993, a surcharge of Rs.254,246 had to be paid by the Agency.
- (c) A fine of Rs.40,390 had been imposed against the Agency due to nonpayment of Nation Building Tax amounting to Rs.220,809 in terms of Section 08 of the Nation Building Tax Act No.09 of 2009.
- (d) A newspaper advertisement had to be published on 08 February 2013 for the sale of 75000 kgs of iron including Dozer Spare parts which had been discarded by the Authority. Eventhough it was decided to sell 50,782 kgs for Rs.3,230,720, it had been subsequently cancelled, without adducing any reason. However, that stock had been sold for Rs.1,070,191 on 15 August 2013 on a decision of the Tender Board with a financial loss of Rs.2,160,229. The balance 24,218 kgs of iron, including the dozer spare parts valued at Rs.1,516,047 which had been discarded had been misplaced.

5.1.3 North Central Province Industrial Development Authority.

An opinion on the financial statements presented by the Authority for the year under review had not been expressed. Out of a sum of Rs.3,547,462 recoverable as at 30 June 2013 from the value of various equipments given on credit basis in the year 2010, only, a sum of Rs.1,535,885 had been recovered as at that date, Action had not been taken to recover the balance amount of Rs.2,011,577.

5.1.4 North Central Provincial Passenger Transport Authority.

The following observations were made in respect of financial statements relating to the Authority for the year under review.

- (a) In terms of Circular No.13/2008 dated 26 June 2008 as amended by Circular No.13/2008(iv) dated 09 February 2011, the Chairman and the General Manager had been given at 170 liters of fuel in excess of monthly fuel limit of 140 liters. The value of fuel overpaid in the year under review amounted to Rs.116,496 at Rs.58,248 per each officers. Similarly, in addition to the above fuel, sums totalling Rs.116,159 and Rs.63,191 had been paid to the Chairman and the General Manager in 8 and 7 instances respectively for fuel, obtained for outstation duties without the personal approval of the Chief Secretary.
- (b) Eventhough, 10 bus Inspectors had been recruited by the Passenger Transport Services Authority, the Administrative Officer of the Authority had been deployed to check bus stand, and buses for 69 working days only during the period of the first 5 months of the year under review, deviating from his normal duties and a sum of Rs.27,600 had been paid as combined allowances for those duties.

5.1.5 North Central Province Environment Authority.

Financial statements of this Authority established in January 2012, for the year under review and the preceding year had not been presented to the Auditor General.

5.1.6 North Central Province Contingencies Fund

The following observations are made in respect of the financial statements of the Fund relating to the year under review.

- (a) Any activities whatsoever had not been carried out to achieve the objectives of this Fund since the commencement of the Fund in the year 1990. While no provisions had been made in the statute by which this Fund was established, the interest of this Fund is annually transferred to the Chief Minister's Fund.
- (b) Eventhough 23 years had elapsed since the establishment of the Fund the Governor had not prepared rules required for the implementation of this Fund in terms of Section 20(3) of the statute.

5.1.7 Chief Minister's Fund of the North Central Province

Financial Statements of the year under review and the preceding year had not been presented to the Auditor General, and a sum of Rs.5,185,974 was available in the Fund as at 31 December 2013.

5.1.8 North Central Province Incentive Fund.

Material transaction had not been carried out relating to this Fund during the year under review.

5.1.9 North Central Province Rural Development Fund.

The balance of this Fund commenced in January 2012 in terms of Section 26 of the North Central Provincial Rural Development Statute No.03 of 2011 as at 31 December of the year under review amounted to Rs.2,047,235. Nevertheless, the provisions in respect of the preparation of financial statements of the Fund and the audit should be carried out by the Auditor General had not been included in the Statute. However, as it was stated in terms of Section 26(2) of the Statute that this Fund should comply with the provisions stated in part 3 of the Provincial Councils Act No.42 of 1987, the audit of the Fund should be carried out by the Auditor General. As such the financial statement of the fund should be prepared and should be presented to the Auditor General. However, the financial statements of the Fund had not been presented to the Auditor General from the year of commencement of the Fund up to the end of the year under review.

5.1.10 North Central Province Education Development Fund

The balance of this fund commenced and implemented from January 2005 as at December 31 of the year under review amounted to Rs.8,331,893. However, the financial statements for the period from the year of establishment of this Fund up to the year under review had not been presented to the Auditor General.

5.1.11 North Central Province Child Care Services Fund.

The balance of this Fund established and implemented in January 2008, as at 31 December of the year under review amounted to Rs.2,021,552. However, six financial statements for the period from the beginning of the year up to the year under review had not been presented to the Auditor General. Contrary to the objectives of the Fund and without the approval of the Trust Board, an expenditure of Rs.158,000 had been incurred from this Fund in the year 2012 and 2013 for the printing of “Pehesara ” newspaper.

5.2 Commercial Advance Accounts

5.2.1 Self-employment Revolving Loans Advance Account

The following observations are made in respect of the financial statements of the advance account for the year under review.

- (a) Eventhough, provision had been made for the activities of this advance account by the Provincial Council form the year 2011 to the year under review action had not been taken to achieve the objectives expected by this advance account.
- (b) Financial statements for the years 2011 and 2012 had not been presented to the Auditor General.

5.2.2 Advance Account for the Purchase of Asphalt

Financial statements relating to the activities of the Advance Account for the year under review had not been presented to the Auditor General even by 25 November 2014.

5.2.3 Textiles Advance Account

The following observations are made in respect of the advance account activities for the year under review.

- (a) The objective of the Textiles Commercial Advance Account is to give training on the handloom textile industry using a modern technology for the livelihood of the unemployed teenage girls who had renoused schools and did not get the chance of higher education. However, out of about 65 female technicians in 43 textile factories belonging to the Provincial Department of Industrial Development, 60 per cent had been at the ages between 35 and 65 years and their monthly average income ranged from Rs.2,500 to Rs.6,000.

- (b) Out of the provision of Rs.35,187,000 made in the annual estimate for the year 2013 for textiles industry under expenditure item Number 642-51-4 an expenditure of Rs.33,585,365 had been spent. However, a loss of Rs.1,667,341 was incurred during the year under review in the Textile Commercial Advance Account and the Commulative Working Loss had been Rs.7,708,106.

5.2.4 Animal Development Advance Account

Out of the 33325 chicks existed in the Thirappane farm in the year under review the balance should have been 4422 after the removal of 28903 chicks which had been distributed or deceased during the year under review. However, the balance shown in the stock book amounted to 675 and as such the reasons for the difference of 3747 chicks valued at Rs.430,905 had not been explained.

6. Operating Review.

6.1 Performance

- 6.1.1 Particulars of Project approved, implemented and completed during the year under review for the utilization of development grants received by the Provincial Council are given below.

Description	Criteria Based grants		Provincial Specific development grants		World bank aids	Other capital assets grants	Blok grants	
	New Projects	Continued Projects	New Projects	Continued Projects	New Project	Continued Projects	New Project	Continued Projects
No.of approved development project	421	45	379	483	42	479	45	15
No.of projects implemented	393	44	359	483	37	450	45	15
No.of projects completed during the year	342	42	232	465	8	425	26	15
Approval expenditure(Rs.000)	587,274	39,883	492,013	401,233	274,397	161,432	69,938	5,062
Expenditure incurred During the year (Rs.000)	308,381	31,620	231,440	312,472	147,916	100,112	54,258	4,650

The following observations are also made.

- (a) Out of 421 new development Project valued at Rs.587,274,060 approved under the criteria based grants, 393 projects had been implemented and a sum of Rs.308,380,692 had been utilized thereon. However, only 342 development Projects had been completed during the year. Similarly, out of 45 continued development Projects valued at Rs.39,882,604 relating to the year under review, 44 Projects had been implemented by utilizing a sum of Rs.31,620,406 and 42 development Projects had been completed.
- (b) Out of 379 new development Projects approved under the Provincial Specific Development grants valued at Rs.492,012,802 three hundred and fifty nine Projects had been implemented and a sum of Rs.231,439,935 had been utilized thereon. However, only 232 development Projects had been completed during the year under review. Similarly, all 483 continued development Projects estimated at Rs.401,232,686 for the year under review had been implemented and a sum of Rs.312,471,673 had been utilized on those Projects but only 465 Projects had been completed.
- (c) Out of 42 new development Projects valued at Rs.274,397,000 approved under the World Bank Aids, 37 had been implemented by utilizing a sum of Rs.147,915,880. However, only 8 development Projects had been completed during the year under review.
- (d) Forty five new development Projects valued at Rs.69,937,933 approved under the block grants had been implemented and a sum of Rs.54,257,914 had been utilization thereon. However, only 26 development Projects had been completed during the year. Meanwhiles 15 continued Projects valued at Rs.5,062,067 for the year under review had been completed and a sum of Rs.4,649,648 had been utilized thereon and all such Projects had been completed.

(e) Out of 479 new development Projects approved under the other Capital Assets Grants valued at Rs.161,432,121 only 450 Projects had been implemented by utilizing a sum of Rs. 100,112,234 However, only 425 development Projects had been completed, during the year.

6.1.2 A total sum of Rs.5,974,506,000 had been spent by the Provincial Ministry of Education and the Provincial Department of Education in the year 2013 for the education of North Central Province and the expenditure incurred thereon in the previous year amounted to Rs.5,459,995,880. The overall examination results of the North Central Province in the year under review in respect of the year 5 scholarship, GCE (O/L) and GCE (A/L) had been 10 per cent 63 per cent and 55 per cent respectively. Such percentages in the previous year had been 15 per cent, 58.6 per cent and 57.58 per cent respectively. Eventhough an improvement of 4.4 per cent in the GCE(O./L) examination results in the year had been observed results of the year 5 scholarship and GCE(A/L) examinations had dropped by 5 per cent and 2.58 per cent respectively.

6.1.3 Under the Provincial Development plan for the year under review. 1354 new and continued work proposals valued at Rs.1,657,998,094 had been approved. According to the progress reports of the Provincial Council, the progress of implementation and completion is given below.

	New Works	Continued Works	Total Work Proposals
	-----	-----	-----
Fully completed	472	546	918
Completed between 75%-90%	123	18	141
Completed between 50%-75%	150	03	153
Completed less than 50%	122	02	124
Not commenced	08	10	18
	-----	-----	-----
	875	579	1,354
	=====	=====	=====

The following observations are also made.

- (a) Under the Provincial Plan for the year under review 875 new work proposals valued at Rs.759,396,232 had been approved but only 472 proposals thereof had been fully completed. 123 work proposal and 150 work proposals had been completed by 75 per cent to 90 per cent and 50 per cent to 75 per cent respectively . 122 work proposals had been completed less than 50 per cent and the number of work proposals not comments had been 08.
- (b) Under the Provincial Development Plan 579 continued work proposals valued at Rs.898,601,862 had been approved and 546 work proposals thereof had been fully completed and the work proposals not commenced had been 10 . 18 work proposals and 3 work proposals had been completed by 75 per cent to 90 per cent and 50 to 75 per cent respectively and 02 work proposals had been completed less than 50 per cent.

6.1.4 The following table observed that the Provincial Specific development grants of Rs.19,882,419 for the year under review had not been distributed in an appropriate basis between the 2 districts of Anuradhapura and Polonnaruwa by the Provincial Department of Agriculture.

	Anuradhapura	Polonnaruwa
Number of peasantfamilies	123,264	59,953
Number of Agriculture Instructors Division	426	187
Provisions made (Rs.)	7,398,919	12,488,500
Percentage of Provisions ,made	37	63

6.2 Management Inefficiencies

The following observations are made.

- (a) According to the information presented to audit by 24 institutions of the Provincial Council, the balances of General Deposit Accounts as at 31 December 2013 totalled Rs.369,250,928 and action in terms of Financial Regulation 571 had not been taken in respect of balances totalling Rs.241,703,087 included therein.
- (b) As action had not been taken in accordance with the provisions of North Central Province Financial Rule 369, the maximum limit of debit balance in two items of accounts of Provincial Public Officers Advance Account and the maximum debit balance of expenditure in one item of accounts had been exceeded by Rs.1,603,328 and Rs.32,262 respectively. The minimum limit of receipts in 10 items of accounts had been decreased by Rs.4,144,847.
- (c) Action had not been taken to dispose 93080 units of expired and substandard drugs valued at Rs.3,293,249 and remained in 10 Hospitals belonging to the North Provincial Council.
- (d) In the staff loans and advance balances totalling Rs.743,814,932 as at 31 December 2013 in the institutions of the Provincial Council, the outstanding balances remained for more than 01 year relating to 21 institutions amounted to Rs.120,919,365.
- (e) Contributions of Widows and Orphans Pensions Fund totalling Rs.34,280,819 recovered from officers of the Provincial Education Office and the Education Offices of Kebithigollewa and Thambuththegama during the period from 2007 to 2009 had not been remitted to the Department of pensions and retained in the General Deposit Account.
- (f) Two hundred and sixty seven cheques valued at Rs.1,965,918 consisting of 155 cheques valued at Rs.1,041,000 written in the year 2012 and 112 cheques valued at Rs.924,918 written in the year 2013 to be given to the sportsmen and

sports women by the Provincial Sports Department had remained in hand up to 20 may 2014.

6.3 Operating Inefficiencies

The following observations are made.

- (a) One hundred and seventeen bicycles, 113 fruit transport baskets, 277 alternate hearths valued at Rs.4,464,674 purchased in December by the Ministry of Co-operative Trade and Foods Small Industries Textiles and Tourism for the distribution among the beneficiaries had not been distributed even by 17 June 2014.
- (b) Despit there is a fully equipped mechanical workshop with iron welding and a press with all facilities in the North Central Province. Development Construction and Machinery Agency, a sum of Rs.3,689,625 for printing works and a sum of Rs.630,850 for the manufacture of 110 flag posts had been paid by the Chief Ministry and the Provincial Department of Cultural Affairs respectively in the year under review to private suppliers. Thus the circulation of funds of the Provincial Council among the institutions of the Provincial Council had been prevented and the resources of the Provincial Council had been underutilized.
- (c) Eventhough 4800 fruit plants of 05 types could be purchased for Rs.282,000 from the plant nurseries belonging to the North Central Province Ministry of Agriculture distributed among the farmers in the North Central Province during the year under review by the Chief Ministry, those plants had been purchased from the private nurseries by paying Rs.429,000. As a result, the Provincial Council had sustained a loss of Rs.147,000 and the funds circulation among the Provincial Council had also been prevented.

- (d) Necessary action had not been taken in respect of expired drugs and surgical materials valued at Rs.301,773 in the base hospital, Thambuththegama.
- (e) Eventhough, lands to the extent of 1078 acres, 04 roads and 23 purchase belong to the 172 schools in the educational zones at Dimbulagala and Polonnaruwa, title deeds or title certificates to ensure the ownership of those lands were not available with the Provincial Department of Education.

6.4 Transactions of Contentious Nature.

The following observations are made.

- (a) Eventhough, a sum of Rs.2,005,387 had been paid as incentive to officers in the Provincial Land Commissioners Office and the Divisional Secretariats in the year 2013 by the Provincial Land Commissioner's Department no any evidence whatsoever was available to ensure whether those officers had contributed to collect tax revenue directly or by visiting to field to collect taxes from land lessees. Further, there was no evidence to ensure whether a formal approval had been taken to pay these incentive or for this incentive scheme, from the Provincial Governor.
- (b) The decision of purchasing 3750 water pumps valued at Rs.231,787,500, one pump at Rs.61,810 excluding VAT taken by the Cabinet Appointed Procurement Committee based on the Technical Evaluation Committee report had been approved by the Cabinet of Ministers. However, in addition to those water pumps, the management of the Chief Ministry had purchased 3750 sets of their additional accessories at Rs.5,253 per set with VAT and paid a sum of Rs.19,698,000 by superseding the Cabinet Decision. Further, eventhough, the payments should be made only after receipt of goods to the institution and after entering them in the stock books. Out of those water pumps including accessories purchased in

December 2012, 1250 water pumps valued at Rs.93,100,000 had been retained in the stores located in Thambuththegama and Anuradhapura belonging to the supplier.

- (c) Allowances of Provincial Chief Minister and Provincial Ministers and their personal staff had been paid out of provisions made under the expenditure heads of each Ministry. In addition to that, allowances of drivers and other personal staff totalling Rs.4,661,400 had been paid in the year 2013 out of the provisions made under the expenditure head of the Provincial Council and Provincial Council Secretariat.
- (d) Amended by the Circular No.CSA/P1/40 dated 19 November 2007 exceeding the limits of motor vehicles and fuel specified in the Circular Letters dated 04 even dated January and 23 October 2006 of HE the president, 04 motor vehicles and fuel valued at Rs.7,615,271 had been given to the Chief Minister and 2 officers in his personal staff during the year under review, by the Chief Ministry. Particulars are given below.

Post	No of vehicles to be allocated	No.of vehicles given	No. of vehicles given in excess of the limit	Quantity of fuel to be given	Value of fuel to be given	Value of fuel given	Value of fuel given in excess of the limit
-----	-----	-----	-----	-----	-----	-----	-----
					Rs.	Rs.	Rs.
Chief Minister } Private Secretary } Media Secretary }	03 01 01	06 01 02	03 -- 01	7200(P) 12000(D) 2880(D) 2612(D)	2,624,160 465,264 317,316	7,317,471 2,176,024 1,528,496	4,693,331 1,710,760 1,211,180
							7,615,271
							=====

- (e) In terms of paragraph 1.1 of the Circular Letter dated 04 January 2006 as amended by Circular Letter No.CSA/P1/40 dated 19 November 2007 of HE the president the personal staff of the Chief Minister should be limited to 15 persons. However, 45 persons had been employed by exceeding that limit of 30

persons and a sum of Rs.8,652,550 had been paid to them as salaries, allowances and travelling expenses during the year under review.

- (f) Irrespective of procurement guidelines, a security service supplier had been deployed to secure the certain building of the Chief Ministry and the balance goods not distributed among beneficiaries without being entered into an agreement. This supplier had produced bills valued at Rs.2,243,968 during the year under review and a sum of Rs.1,486,240 had been paid up to the date of audit. Those bills included bills amounting to Rs.540,560 in respect of provision of security service to stores items existed in a store in the premises of North Central Province Development Construction and Machineries Agency during the period January to May 2013. However, it had been confirmed that the Development and Construction Machineries Agency had not obtained security services during that period and it was observed that the Ministry had made the payments only on the basis of attendance records, submitted by the supplier without being supervised the security service.

6.5 Apparent Discrepancies

The following observations are made.

- (a) A sum of Rs.8,493,816 had been spent during the previous year and the year under review for the Liyasaviya and Thirasara Village Program implemented by the Rural Development Department. A sum of Rs.6,396,462 spent during the year under review had been incurred for 22 training programs and granting scrolling loans to 19 Rural Development Societies at Rs.50,000 each.
- (b) A permanent KKS in the Kebithigollawa Zonal Education office, who had been assigned to prepare pay sheets of National Schools and Pirivena staff in the Kebithigollawa Education Division had credited a sum of Rs.410,629 to a bank

account with a false name by inserting fake information to the computer for 06 months period from September 2012 to February 2013.

- (c) A teacher in the Kebithogollawa Education Division who had been attached to the Samurdhi Authority had obtained salaries and allowance of Rs.2,639,765 from the Samurdhi Authority during the period from July 2007 to November 2013, and he had obtained salaries and allowances amount to Rs.2,488,032 from the Kebithogollawa Zonal Education Office for the same period.
- (d) Seventy five officers including the Minister's staff in a field study program held for 60 members of fisheries Society in December 2013 at the BambarakeleMiridiya Development Center by the Provincial Ministry of Agriculture in respect of Fisheries Aquatic Resources Management and a sum of Rs.210,000 had been paid to a hotel for the supply of food and lodging of those officers at Rs.2,800 per each person. However, a sum of Rs.26,920 had been obtained from an advance obtained by an officer of the Ministry by producing fake bills.
- (e) The Female Management Assistant who had transferred more than Rs.400,000 to her and her childrens' bank accounts fraudulently from the employees abatements in the Polonnaruwa Office of the Regional Director of Health Services from June to December 2013 had been interdicted. Eventhough, the Provincial Internal Audit and Investigation Department had been informed on 24 December 2013 to conduct a formal inquiry in this regard, an investigation had not been carried out even by 31 October 2014

6.6 Under - utilization of Funds

Out of the total provision of Rs.72,900,000 made under the 2 capital expenditure items in the Provincial Irrigation Department in the year under review, a sum of Rs.52,997,589 or 72 per cent and out of the total provision of Rs.9,000,000 made under

the 3 capital expenditure items in the Provincial Industries Development Department a sum of Rs.5,715,451 or 63 per cent had not been utilized

6.7 Idle and under Utilized Assets.

Audit test checks observed that the physical assets as analyzed below had been idle and underutilized.

Nature of Assets	Number /Area	Value
-----	-----	-----
		Rs.
(i) Lands	110 acres	Not assessed
(ii) Buildings	406	(4 Buildings) valued at Rs.17,954,028
(iii) Motor Vehicles	44	Not assessed
(iv) Machinery	01	Not assessed
(v) Office Equipment	61	368,789 (one item)
(vi) Others	80 ½	547,255 (4 items)

The following observations are also made.

- (a) The Madatugama Day Care Centre newly constructed in the year 2007 by incurring an expenditure of Rs.4,771,517 by the Provincial Probation and Child Care Department had not been utilized and it had been repaired by incurring an expenditure of Rs.2,616,183 in the year 2010 and 2011. In addition, an official bungalow had been constructed in the premises of this centre in the years 2011 and 2012 by incurring an expenditure of Rs.2,526,923. However, these buildings valued at Rs.9,914,623 had been idle since the date of construction.
- (b) Action had not been taken to repair or dispose of 30 vehicles belonging to the North Central Provincial Department of Health remained for nearly 5 years and 2 vehicles belonging to the Provincial Engineering Department remained from

the beginning of the year under review had been decayed and parked in the premises of the institutes.

- (c) A provision of Rs.354,781 made for the informal education in the year 2007 had remained in the General Deposit Account of the Provincial Department of Education since 2007 and 14 sewing machines valued at Rs.660,900 granted in August 2013 for Informal Education to Thambuththegama, Kekirawa and Kebithigollawa Zones had remained idle since they had been given.
- (d) A set of bakery equipment purchased by the Chief Ministry in the year 2009, the value of which was not known, 145 Sun Lanterns purchased in the year 2012 at Rs.2,296,800 remained in a store of the Ministry of Education, 1142 water filters purchased in the year 2012 at Rs.12,214,832 and 1183 plastic packages purchased in the year 2011 at Rs.706,251 had remained in a store of the Development Construction and Machineries Agency. 872 water pumps purchased in the year 2012 valued at Rs.64,946,560 had remained in a supplier's store without being distributed.
- (e) Qualitative input money totalling Rs.44,773,631 in the bank accounts of 541 schools belonging to the Anuradhapura District and 93 schools in Dimbulagala and Polonnaruwa Education Zones had remained idle as at 31 December 2013.
- (f) A balance of Rs.2,214,517 remained in 9 current accounts in 3 institutions of the Provincial Council for more than 5 years had been idle as at 31 December 2013.

6.8 Conducting Annual Board of Surveys

Board of Surveys in 16 institutions including Provincial Council Ministries and Departments relating to the year under review and 4 institutions including Ministries and Departments relating to the previous year had not been conducted in terms of Provincial Council Financial Rule 476.1

6.9 Uneconomic Transactions.

The followings were observed.

- (a) Quotations were called for the purchase of 253 waste baskets with 110 liters in capacity in the year 2013 by the Provincial Ministry of Agriculture. Quotations presented by a supplier for the supply of waste basket with 100 liters at Rs.1,630 per basket and it was rejected due to less than the capacity by 10 liters. Thereafter, 253 baskets with 110 liters had been purchased at Rs.5,250 per basket for Rs.1,328,250 with a guarantee period of 6 months without a lid. If it was decided to purchase waste baskets with a capacity of 100 liters it was possible to give a basket to the beneficiaries with a lid and one year guarantee period. And also it could be purchased 253 baskets for Rs.412,390 by saving of Rs.915,860.
- (b) Without paying attention for such matters as easy purchasing of spare parts, maintenance cost and economical fuel consumption etc, the Chief Secretary had purchased 2 petrol vehicles manufactured in America in the years 2004 and 2006 for the requirement of the Chief Ministry, the value of which could not be revealed and removed from use since 2012 due to undue fuel consumption.
- (c) The canteen constructed at a cost of Rs.1,262,483 in the year 2012 in the Regional Hospital at Elayapaththuwa had been closed down as there was only 25 staff members in the Hospital and there were several private hotels situated near the Hospital. The expenditure incurred for the construction of this canteen could have been used for some other purpose.

6.10 Identified Losses

The following observations are made.

- (a) The Chief Ministry had purchased maiz seeds based on the Technical Evaluation Committee report obtained from the Mahailuppallama Field Crops Research and Development Institute in the year under review by the Provincial Agriculture Department. However, without taking action to purchase hybrid maiz seeds of S-A-501 type at Rs.720 per kg, recommended by that evaluation report, 5500 kg of hybrid maiz seeds of pacific 984 type with a high cost, at Rs.905 per kg had been purchased for Rs.4,977,500 and as such the Chief Ministry had made an over payment of Rs.1,017,500. After removing the beneficiaries contribution of 50 per cent the Provincial Council had incurred a financial loss of Rs.508,750.
- (b) In purchasing 5000 kg of imported hybrid maiz seeds and 500 water spraying machines for Agri Development Co-operative Society members in the year 2013 by the North Central Province Ministry of Agriculture, the Technical Evaluation Committee had not made professional care and it had considered the matters which did not include the technical specifications and they did not have the knowledge of market prices and as such they had made inappropriate recommendations in an irresponsible manner. As the purchases had been made on the basis of their recommendations the minimum quotations had been rejected and purchases had been made at high prices and as a result the Provincial Council had incurred a loss of Rs.1,213,500. Similarly, as the supplier agreed to supply water spraying machines in the year 2012 had not supplied the specified machines, the value of encashed securities valued at Rs.387,700 had been setoff against the beneficiaries contribution of 50 per cent relating to the purchase of water spraying machines in the year 2013, and as such, the Government had deprived of the revenue by that amount.

- (c) A shortage of 60,080 units of drugs valued at Rs.94,358 of 3 types was observed in the drugs stores at Yaya 5 Regional Hospital in Rajanganaya.
- (d) As tenders had been awarded in excess of the market prices in supplying 23 types of dried foods and string hoppers for the Saliyapura Elders Home, the Government had incurred a loss of Rs.885,955 in the year under review.

6.11 Weaknesses in Contract Administration

The following observations are made.

- (a) In terms of the contract agreement amounting to Rs.1,792,393 dated 06 November 2008 for the repair of Madawachchiya Veterinary Sargent's Office and the official quarters, the works should have been completed and handed over within 01 month and 25 days. It was revealed at a field inspection carried out on 29 August 2013 that it had not been handed over after being completed all the works of that Project. However, action had not been taken to recover the demurrage charges of Rs.516,504 as at 29 August 2013 in terms of Agreement.
- (b) In terms of the supplement No.22 of 09 March 2011 to the Procurement Hand Book, in awarding direct contracts to community based organization, the total value of the balance work of the contracts already awarded and the total value of proposed contract should not exceed Rs.2 million, and the number of contracts in hand should not exceed 3 in the relevant society. Nevertheless, there were instances that the following 2 Provincial Departments had not complied with that requirement.

Institute	No. of contracts awarded	Value of contracts awarded
-----	-----	-----
		Rs.
Provincial Department of Co-operative Development	05	2,787,624
Office of the Regional Director of Health Services in Anuradhapura	01	2,239,483
Office of the North Central Provincial Director of Health Services	03	2,869,176

- (c) A contractor had to be selected by a Procurement Committee appointed by the Cabinet of Ministers by calling for open competitive bids in terms of Financial Rule 422.1 for the construction of the office of the Polonnaruwa District Assistant Director of Agriculture, of the Provincial Agriculture Department, the value of Engineering estimate exceeded Rs.14 million. Limited quotations had been called on the basis of a list of 5 names of contractors presented to the Cabinet Appointed Procurement Committee by the Secretary to the Provincial Ministry of Agriculture. However, there was no evidence to ensure that the Secretary to the Ministry had selected 5 contractors in a transparent manner. Bids had not been called for from all the registered contractors in terms of guideline 2.4.1 of the Procurement Guideline in calling for Limited Quotations.

6.12 Personal Administration

Approved and Actual Cadre

Approved cadre and the actual cadre of the North Central Provincial Council as at 31 December 2013 is given below.

Provincial Ministries, Departments and Institutions

	Approved	Actual	Excess	(Vacancies)
	-----	-----	-----	-----
(i) Senior	601	305	--	(296)
(ii) Tertiary	320	225	--	(95)
(iii) Secondary	3534	2134	--	(1400)
(iv) Primary	1694	1213	--	(481)
(v) Others (Casual/Temporary)	26	665	639	--
	-----	-----	-----	-----
	6175	4542	639	2,272
	=====	=====	=====	=====

6.12.1 The following observation is also made.

Eventhough, the approved cadre of the Provincial Agriculture Department was 345 there were 172 vacancies as at 31 December 2013 out of which 118 posts had been related directly to the Agricultural Development. Due to those posts had been vacant for a long time it had caused to drawback of the Agricultural Development and Agricultural extension of the North Central Province. Likewise, action had not been taken to fill 22 Labourer vacancies, and without obtaining prior approval of the Treasury for filling the permanent vacancies of Labourers after 25 November 2009, 34 casual/ substitute Labourers had been recruited by the Secretary to the Provincial

Agriculture Ministry of the North Central Province after that date contrary to the Paragraph 4 of the Public Administration Circular No. 20/2009 dated 25 November 2009 which stated that employees should not be recruited on temporary, casual substitute and contract basis without the prior approval of the Treasury.

6.12.2 Particulars of approved, actual, excess and vacancies of school cadre are given below.

	Approved	Actual	Excess	No. of vacancies
	-----	-----	-----	-----
(i) Principals	998	798	--	200
(ii) Teachers	15,940	13,821	--	2,119
(iii) Teaching Assistants	--	590	590	--
(iv) Planning and Finance Assistants/ Development Assistants/ Program Assistants/ Laboratory Assistants/ Worden	878	60	--	818
(v) Minor Employees	757	62	--	695
(vi) Others	--	25	25	--
Total	----- 18,573 =====	----- 15,356 =====	----- 615 =====	----- 3,832 =====

The following observations are also made.

- (a) Nineteen teachers and an officer of the Management Assistants Service belonging to the Galenbindunuwewa, Kekirawa, Thamnbuththegama, Anuradhapura and Kebithigollawa Education Zones had been released to the institutions of the Provincial Council and the Central Government and the salaries and allowances totalling Rs.5,322,057 had been paid to them during the year under review by the Provincial Department of Education. This had not been reimbursed from those institutions as well.

- (b) Graded Principals had been recruited to the 3 Mahavidyalayas belonging to the Galenbindunuwewa, Dimbulagala and Anuradhapura Education Zones and 6 primary schools as deputy principles and 10 graded principals in the Hingurakgoda Education Zone had been recruited as Acting Principals. Further, teachers in 1, 2-1, 2-11 and 3-1 grades of the Teachers Service had been attached to the 141 schools and 4 Mahavidyalayas as Acting Principals.

- (c) Eventhough, 375 computers had been given to the computer laboratory of 44 schools in the Kebithigollawa and Anuradhapura Education Zones, those computer laboratory had been idle as trained teachers in Information Technology had not been attached to those schools.

- (d) There were 263 excess teachers and 152 teachers vacancies in the grades 06-11 in Anuradhapura Education Zone and there was an excess teachers of 48 in those grade in 4 schools near urban areas.

6.12.3 Particulars of approved, actual, excess and vacancies in the Hospital Cadre are given below.

		Approved	Actual	Excess	Vacancies
		-----	-----	-----	-----
(i)	Specialist Medical Officers	21	09	--	12
(ii)	Graded Medical Officers	356	278	--	78
(iii)	Other Medical Officers	85	90	05	--
(iv)	Nurses (Hospital)	590	464	--	126
(v)	Nurses (Public Health)	31	19	--	12
(vi)	Middle Level Technological Officers	182	222	40	--
(vii)	Labourers (General)	329	225	--	104
(viii)	Labourers (Sanitation)	350	234	--	116
(ix)	Attendants	435	334	--	101
		-----	-----	-----	-----
		2379	1875	45	549
		=====	=====	=====	=====

6.13 Vehicles Utilization

The following observations are made.

- (a) Milo meters of 25 vehicles attached to 14 Provincial Ministries /Departments had been inoperative.
- (b) Two vehicles belonging to the Provincial Land Commissioner's Department had been removed from running since 2012, but, action had not been taken to dispose those vehicles.

6.14 Bank Reconciliations.

The following observations are made.

- (a) Action had not been taken in terms of Financial Regulation 188 in respect of deposits of Rs.1,082,578 unrealized for more than 06 months relating to 5 bank accounts of 3 institutions including Ministries and Departments.
- (b) Eventhough, 6 months had elapsed from the date of issue of cheques relating to 28 bank accounts in 19 institutions, including Ministries and Departments totalling Rs.11,415,729 but not presented to banks for payments, action had not been taken in terms of Financial Regulation 396(c) in this regard.
- (c) There were unidentified credits of Rs.5,457,864 relating to 05 bank accounts in 3 Ministries and Departments of the Provincial Council and there were unidentified debits of Rs.713,094 relating to 07 bank accounts.

7 Accountability and Good Governances.

7.1 Action Plan

The Provincial Council and each Ministry Department and Institution had not prepared action plans for the year under review in terms of Circular No. PF/R/2/23/5(4) dated 10 March 2010 of the Director General of Public Finance.

7.2 Internal Audit

The main functions of the Provincial Internal audit and Investigation Department are the prevention of errors and frauds in the Ministries, Departments and Other Institutions of the Provincial Council, ensuring the safeguard of assets, identification of weaknesses in systems and control and reporting precautions to overcome these weaknesses to top management etc. Nevertheless, it was established from the internal audit reports issued in the year under review that the internal audit functions had not been carried out in a manner to identify the major weaknesses in systems and control of the Ministries, Departments, Authorities and all other Institutions in the Provincial Council by assigning audit and investigation functions of each year.

7.3 Audit and Management Committees.

In terms of paragraph 6 of the Management Audit Circular No. DMA/2009(1) dated 09 June 2009, Audit and Management Committee Meetings should be held at least once in a quarter. However, the Ministries /Departments of the Provincial Council had held those committee meetings only once a year.

7.4 Procurement Plan

A Procurement Plan had not been prepared by the Ministries, Departments and Other Institutions of the Provincial Council for the year 2013, in terms of National Budget Circular No. 128 of 24 March 2006.

8. Systems and Control

8.1 Three digital cameras valued at Rs.443,220 and 3 photocopiers purchased by the Ministry of Provincial Education Information Technology, and cultural Affairs had been handed over to various persons and Divisions by the purchasing officer himself without being received to the stores.

8.2 Special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Revenue Administration
- (c) Contract Administration
- (d) Fixed Assets
- (e) Utilization of Funds
- (f) Human Resource Management
- (g) Project Planning and Implementation
- (h) Procurement Procedure
- (i) Stores Procedure
- (j) Attendance and Overtime Control