

## North Central Provincial Council - 2019

### 1. Financial Statements

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#### 1.1 Qualified Opinion

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The audit of the financial statements of the North Central Provincial Council for the year ended 31 December 2019 comprising the statement of financial position at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act No. 42 of 1987 and provisions of the National Audit Act No. 19 of 2018. The summary report in terms of Section 23 (2) of the Provincial Councils Act and provisions in Section 11 (1) of the National Audit Act No. 19 of 2018 and the Detailed Management Audit Report in terms of Section 11 (2) of the National Audit Act No. 19 of 2018 were issued on 04 September 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10 of the National Audit Act, No.19 of 2018.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the North Central Provincial Council as at 31 December 2019, and of its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### 1.2 Basis for Qualified Opinion

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I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **1.3 Responsibilities of Management for the Financial Statements**

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

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

As per Sub-section 16(1) of the National Audit Act 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 annual and periodic financial statements to be prepared of the Provincial Council.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a

material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### **1.5 Report on Other Legal and Regulatory Requirements**

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I express the following matters in accordance with Section 6 (1) (d) of National Audit Act, No. 19 of 2018.

- (a) The financial statements are consistent with the preceding year.
- (b) The recommendations made by me on the financial statements pertaining to the preceding year had been implemented.

## 1.6 Comments on the Financial Statements

### Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) In terms of Paragraph 28 of Sri Lanka Public Sector Accounts Standards 1, the financial statements shall not be described as complying with the Sri Lanka Public Sector Accounts Standards unless they comply with all the requirements of the Sri Lanka Public Sector Accounts Standards. Nevertheless, according to the disclosure made by Paragraph 1 under the accounting policies and disclosures in the financial statements of the year under review, the above requirement had not been complied with.</p>	<p>If it is stated in the financial statements that they comply with the Sri Lanka Public Sector Accounts Standards, the financial statements should comply with all the requirements of the Sri Lanka Public Sector Accounts Standards.</p>	<p>Not commented.</p>
<p>(b) The Provincial Council had not been engaged in a process of transferring the balances of Non-current Assets Movement Records of the Ministries/Department of the</p>		

Province up to the year 2015 and the expenditure incurred for the acquisition of assets to the Property, Plant and Equipment in the subsequent years to the Property, Plant and Equipment Adjustment Account and thereby, transferring the assets precisely identified as the assets to the Property, Plant and Equipment Account. Accordingly, the following observations are made regarding the property, plants and equipment balance stated in the Financial Statements as at 31 December 2019.

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| (i)  | Without being specifically identified as Property Plant and Equipment, the balance that had been retained in the Property, Plant, and Equipment Adjustment Account as at 31 December 2019 was Rs. 3,920,198,951.                          | The asset balances retained in the Adjustment Account should be expeditiously identified and transferred to the relevant asset accounts. | It is informed that the assets will be retained in the Adjustment Account until the assets are precisely identified by the asset management system. |
| (ii) | Due to the transfer of assets worth more than the value transferred to the Property, Plant, Equipment Adjustment Account through that account to the Asset Management System, there had been a total negative balance of Rs.1,059,640,472 | The negative balance of the Property, Plant and Equipment Adjustment Account should be adjusted to the balance of the                    | Not commented.  |

relating to the Vehicles and Provincial Council Land and Land Improvement Fund.

Accounts of the Property, Plant, Equipment Adjustment Account. Since the above negative balances had been offset against the positive balance of the Property, Plant, Equipment Adjustment Account as at 31 December 2019, the balance thereof as at 31 December 2019 had been understated by that amount.

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| (iii) | When an asset omitted during the preceding year relating to an assets account representing a negative balance in the Property, Plant, Equipment Adjustment Account is physically identified and brought to account through the Adjustment Account, the negative balance thereof increases necessarily. While confirming that matter, the Land and Land Improvement Account Balance included in the Property, Plant, Equipment Adjustment Account balance as at 01 January 2019 amounted to a negative value of Rs. 1,022,900,000. Nevertheless, in accounting for assets amounting to Rs.10,146,001 identified during the year, the balance as at the | The negative balance of the Land and Land Improvement Account should be adjusted to the balance of the Provincial Council Fund. | Not commented. |
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end of the year had been Rs.1,003,046,000. Further, no other transactions whatsoever had taken place during the year.

- (iv) When the errors stated in (ii) and (iii) above was adjusted to the balance of Property, Plant and Equipment Rs.3,920,198,951 in the Property, Plant and Equipment Adjustment Account as at 31 December 2019, the correct balance in the that account as at that day amounted to Rs.4,989,985,424 thus understating total amount of Rs. 1,069,786,473. The negative balance of the Property, Plant and Equipment Adjustment Account should be adjusted to the balance of the Provincial Council Fund. Not commented.
- (v) Even though the expenditure for the year under review in respect of acquisition or improvement of vehicles, machinery and equipment, buildings and construction and other capital assets included in the balance mentioned in (i) above was Rs.1,722,946,450, it was questionable in audit on the failure to identify whether Rs.1,559,526,693 of that amount should essentially be capitalized. The capital expenditure of Rs. 1,722,946,450 in the year under review should be fully capitalized. It is informed that only the expenses specifically identified as assets out of the expenses of the year transferred to the adjustment account will be transferred to the asset accounts.

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| <p>Due to the above deficiencies, it was not possible to confirm during the audit that the balance of property, plant and equipment as at 31 December 2019 was accurately represented in the financial statements.</p>  | <p>The balance of property, plant and equipment should be accurately shown in the financial statements.</p>  | <p>Not commented.</p> |
| <p>(c) According to Sri Lanka Public Sector Accounting Standards 02, an investment normally qualifies as a cash equivalent only when it has a short maturity of, that is, three months or less from the date of acquisition. Nevertheless, the value of Rs. 2,090,590,117 stated as cash and cash equivalent in the statement of financial position for the year under review included fixed deposits worth Rs. 589,857,267 with the maturity period of 06 months and maintained on Auto Renewal basis from the year 2011. As a result, the cash and cash equivalents and investment balances shown in the financial statements had been overstated and understated by that amount.</p> | <p>The fixed deposits of Rs.589,857,267 with the maturity period of 06 months should be stated as investment in the statement of financial position.</p> | <p>Not commented.</p> |
| <p>(d) Since the balance of Rs. 66,956,946 stated as intangible assets in the financial statements included the tangible assets such as solar power systems, air</p>  | <p>Assets such as solar power systems, air conditioning systems, power</p>   | <p>Not commented.</p> |

conditioning systems and power systems, etc. systems worth Rs. 56,462,237, should be stated the intangible asset balance and under Property, the Property Plant and Equipment Plant and balance as at 31 December had Equipment. been overstated and understated by Rs. 56,462,237 respectively.

- (e) According to the financial statements, the investment interest income due on 31 December 2019 was 59,800,313, whereas the interest income due as at that date as per the fixed deposit certificate was Rs.29,791,905. Accordingly, the overstated investment interest income in the financial statements was Rs. 30,008,408. The investment interest receivable should be accurately stated in the financial statements.. Not commented.
- (f) According to the financial statements, the value of the investment as at 31 December 2019 amounted to Rs. 589,857,266, whereas according to the Renewal Notes it was Rs. 678,392,867. Accordingly, the investment value as at that day had been understated by Rs. 88,535,601 in the financial statements. The value of the investment as per Renewal Notes should be stated in the financial statements. Not commented.

## 1.7 Non-maintenance of registers and books

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The balance of the depreciation reserve fund amounting to Rs.14,589,974 stated in Note 16 of the financial statements is related to two commercial advance accounts. Nevertheless, the Provincial Treasury had not maintained records to identify the balances of the two advance accounts separately.	Records should be maintained to identify the balance of the Depreciation Reserve Fund separately as per the each commercial advance account.	Not commented.
(b) The Provincial Treasury Imprest Receipt Register had not been maintained to distinguish the source of Central Government imprest receipts.	The Imprest Receipts Register should be maintained so that the source of imprest receipts of the Central Government can be clearly identified.	Not commented.

## 1.8 Imprest Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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<p>According to Note 01 of the Financial Statements for the year under review, the unsettled imprest balance of Rs.27,780,867 pertaining to 03 Provincial Ministries had been in existence for more than 05 years. Out of that balance, 95 per cent or Rs. 26,405,861 continued to exist over 09 years should have been settled by the Chief Ministry.</p>	<p>The balance balances which have been in existence for more than 05 years should be settled by the relevant 03 Provincial Ministries.</p>	<p>Not commented.</p>

## 1.9 Revenue Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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<p>The estimated revenue for the year under review for 08 revenue codes was Rs. 3,525,350,000 and the actual revenue was Rs. 2,472,117,757, thus observing a variance of Rs. 1,053,232,243. That variance ranged from 8 per cent to 99 percent of estimated revenue.</p>	<p>Only 70 per cent of the estimated revenue has been recovered and it should exceed at least 85 per cent.</p>	<p>Not commented.</p>



Recurrent  
Expenditure

Personal	15,458.4	15,741.6	(283.2)	14,191.1	14,521.9	(330.8)
Emoluments						
Other Expenditure	4,918.9	5,154.4	(235.5)	4,123.8	4,603.5	(479.7)
Sub total	20,377.3	20,896.0	(518.7)	18,314.9	19,125.4	(810.5)
Capital expenditure	4,068.0	702.7	3,365.3	3,921.3	1,322.7	2,598.6
Total	24,445.3	21,598.7	2,846.6	22,236.2	20,448.1	1,788.1

- (a) The total tax and non-tax revenue for the year under review was Rs. 3,910,898,986, and that revenue for the preceding year was Rs. 3,961,288,77. Accordingly, the decrease in the tax and non-tax revenue for the year under review was Rs. 50,389,789.
- (b) The provincial investment expenditure during the year under review was Rs.702,686,653 and it was Rs. 1,271,521,856, in the preceding year. Accordingly, investment expenditure had decreased by Rs. 568,835,203 or 45 per cent.
- (d) Out of the total expenditure for the year under review amounting to 21,598,665,655, the expenditure incurred on the investments was Rs.702,686,653 and accordingly, the expenditure incurred on the provincial development activities was 3 per cent of the total expenditure.
- (d) Payments of operating lease installment during the year under review were Rs. 18,847,396 and it was Rs. 3,806,040 in the preceding year and accordingly, that expenditure had increased by Rs. 15,041,356 or 395 per cent.

**03. Statute Accounts / Fund Accounts / Commercial Advance Accounts and Other Advance Accounts**

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**3.1 North Central Provincial Road Development Authority**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) The loan amount which had been paid to the employees of the Authority in the preceding years but had not been recovered amounted to Rs. 776,511 and interest had not been calculated for the same.	All outstanding loan balances together with relevant interest should be recovered.	It is informed that action will be taken to recover them in the future.
(b) Action had not been taken to recover Rs. 158,082 stated in the financial statements for about 12 years as employee loan of the Highways Department.	Action should be taken to recover old loan balances from the relevant employees.	As these debtors are dead and the guarantors are not in the institution, it is informed that action will be taken to write off that balance in the future.
(c) Due to the reasons such as failure to update the asset management system including information such as date of purchase, quantity and value of non-current assets owned by the Authority, valuation of assets on the understanding of the officer in charge of the subject and inclusion in the asset management system without revaluation,	It should be confirmed that the values of non-current assets owned by the Authority have been accurately stated in the Financial Statements.	Not commented.

inconsistency between existing values in the asset management system and financial statements etc., the Audit could not satisfy with the accuracy of the value of the assets belonging to the Authority during the audit.

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| (d) | Although the value added tax file of the Provincial Road Development Authority had been inactivated since September 2015, the Authority had collected Value Added Tax totaling Rs. 9,967,515 comprising Rs. 5,357,471 and Rs.4,610,044 during the period from 03 September 2015 to 31 December 2017 from the customers. | As the value added tax file is inactive, said tax should not be collected from the customers. | It is informed action will be taken to activate the value added tax file and settle it in consultation with the Inland Revenue Department. |
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### 3.2 Chief Minister's Fund

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#### Audit Observation

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The administration, management and capital of the Chief Minister's Fund had been delegated to its Board of Directors by the Section 3 (1) of the Chief Minister's Fund Statute No. 5 of 1992. The Board of Directors of the Fund consisted of 06 members including the Chief Minister and two Members of the Opposition. Since the Statute had not

#### Recommendation

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The Statute shall be amended indicating a procedure to be followed or indicating that it will become inactive after the dissolution of the Provincial Council.

#### Comments of the Chief Accounting Officer

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It is informed that the Statute cannot be amended as the Provincial Council has been dissolved.

specified the procedure to be followed after the dissolution of the Provincial Council, the Fund remained inactive from 01 October 2017, the date of dissolution of the Provincial Council.

#### 04. Operating Review

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##### 4.1 Performance

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##### 4.1.1 Government Grants

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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Out of the total approved Government Grants of Rs. 3,761 million, a sum of Rs. 1,896 million or 50 per cent had not been utilized.	Approved provisions should be utilized to the maximum.	Not commented.

##### 4.1.2 Provincial Development Plan

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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Under the Provincial Development Plan for the year under review, 1,437 proposals valued at Rs. 3,487 million had been approved in respect of new works and	All funds should be utilized according to the plans.	Not commented.

continuous works. Nevertheless, the number of projects completed less than 50 per cent and the number of proposals not initiated was 116 and their estimated value was Rs. 394 million.

#### 4.1.3 Education

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(a)	<p>In the admission of children to a special education unit in terms of Paragraph 01 of the Circular of the Secretary to the Ministry of Education bearing No. 1/SE/2/84 of 24 May 2001, a committee comprised of 03 officers from among Deputy Director of Education in charge of Special Education, Assistant Directors of Education, Teacher Educators in charge of special education, teachers in special education and teachers in charge of primary section should identify the children with special needs. However, in the North Central Province, children with low levels of literacy, children with no early childhood education, ordinary children from very poor families and many children with poor hygiene and orderliness are referred to special education units due to the nonfunctioning of such a system.</p>	<p>In the admission of children to the special education unit, identification of children with special needs should be done by a committee comprised of 03 officers as stipulated in the Circular.</p>	<p>I inform you that children with special needs will be identified in the future by a committee appointed in terms of Paragraph 01 of the Circular.</p>

- (b) In accordance with paragraph 5 of the Circular of the Secretary to the Ministry of Education bearing No. 42/2012 of 23 November 2012, it is compulsory for the teachers, who have been appointed to the field of special education, to work in the field of special education which is the main subject, regardless of any sub-subject mentioned in the letter of appointment. However, 20 teachers with formal training to teach in a special education unit were deployed to teach other subjects in the North Central Province. Teachers who have been appointed to the field of special education should be employed in the field of special education itself. Comments had not been made.
- (c) According to the Circular of the Secretary to the Ministry of Education bearing No. 42/2012 of 23 November 2012, at least one teacher from the teachers who have been trained in the field should be appointed for every five students in the Special Education Units. However, there were 29 vacancies for teachers trained in the field in 24 schools with special education units in 08 Zones of Education in the North Central Province. According to the Circular, at least one teacher from among the teachers who had been trained in the field of special education should be appointed for every five students. Comments had not been made.
- (d) Due to the failure in establishing special education units in 04 of the 30 Divisions of Education in the 08 Zones of Education in the North Central Province, children with special needs in those Divisions of Education had lost opportunity to receive special education. Special education units should be established in all the Divisions of Education to enable children with special needs to receive special education. Comments had not been made.

- (e) Although the buildings for the Special Authorities should Comments had not Education Units were modernized in accurately identify been made. 2017 at a cost of Rs. 18.48 million in 13 schools that require schools belonging to 03 Zones of special education units Education in the North Central Province, and action should be those Special Education Units had not taken to modernize been operationalized by the end of 2019 buildings and to and suitable buildings had not been construct new provided for the Special Education Units buildings. buildings. in another 12 schools. Accordingly, the authorities had not accurately identified the schools in need of special education units and had taken steps to modernize the buildings and construct new buildings.
- (f) In accordance with the Circular of the Facilities for Comments had not Secretary to the Ministry of Education accessibility for been made. bearing No. 14/2007 of 14 May 2007, persons with strong attention should be paid to provide disabilities should be access facilities for disabled persons in provided for the the construction and modernization of prevailing special school buildings in constructing and education units in the modernizing school buildings and it is North Central compulsory to provide access facilities in Province. the schools. However, access facilities to the existing special education units in 14 schools in the North Central Province had not been suitably arranged.
- (g) According to the Circular of the According to Section Comments had not Secretary to the Ministry of Education 37 of the Education been made. bearing No. ED/09/18/02/01/2 of 30 Ordinance and January 2017 and as per Section 37 of the Extraordinary Gazette Education Ordinance and Extraordinary Notification No.

Gazette Notification No. 1963/30, even though the school committee and the supervisory committee should have been activated to implement the programme of compulsorily directing all children between the ages of 5-16 years to education, there was no evidence that the process of identifying children with special educational needs in the feeder areas in the Province and directing them to special education units in schools was implemented.

#### 4.1.4 Health

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>It was observed that two medical officers of the Galkiriyagama Regional Hospital in Anuradhapura had written diaries in 2019 stating that they had reported for duties on days that they had not reported for duties. One doctor out of the two, who had served as the Medical Officer in charge received Rs. 385,856 as additional duty allowance for 396 hours of 99 days, on which he had not reported for duty and Rs. 25,739 as holiday duty pay for 6 days, on which he had not reported for duties. The other medical officer had received Rs. 146,060 as additional duty allowance for 268 hours of 67 days, on</p>	<p>All hospitals should be instructed to send daily the quarterly inpatient reports and outpatient reports to the line ministry and the office of the Regional Director of Health Services by e-mail after preparing them separately for each doctor.</p>	<p>Comments had not been made.</p>

which he had not reported for duty and Rs. 9,732 as holiday duty pay for four days, on which he had not reported for duty. The Medical Officer in charge had prepared service shifts only for 3 months for the year.

#### 4.2 Management Inefficiencies

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(a)	In Note 5 (1) of the Financial Statements of the previous year, there were 07 debit balances of Rs. 1,399,872 and 02 credit balances, where it was not possible to find creditors and debtors in 09 Advance Accounts to Provincial Public Officers of 09 Divisional Secretariats and the unsettled debit balance of 08 Divisional Secretariats at the end of the year under review was Rs. 1,410,326.	Action should be taken to settle all debtors' and creditors' balances expeditiously.	Comments had not been made.
(b)	According to the balance confirmations submitted by 27 out of the 29 Divisional Secretariats, the total public deposit account balance of Rs. 80,648,015 was Rs. 81,071,012 as per financial statements. As a result, the unreconciled change was Rs. 422,997. Likely, the unsettled public deposit balance for more than 02 years was Rs. 22,177,873	The reason for the unreconciled change should be found and rectified and action should be taken in relation to deposits for more than 2 years in terms of Financial Regulations.	Comments had not been made.

according to the time analysis and balance confirmations submitted by the Divisional Secretariats.

### 4.3 Visual Irregularities

----- <b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
Double payments had been made comprised of one payment in one occasion on the originals of the documents, including the bills of quantities, project completion report and summary of paying bills and the other payment in another occasion on the photocopies of the said documents for constructions carried out on the provision of the nearest school the best school project. The amount fraudulently obtained through double payments by 26 February 2020 was Rs.8,608,290 as revealed at the audit test checks.	The amount of Rs. 8,608,290 obtained fraudulently should be recovered immediately and disciplinary action should be taken against the fraudulent officers.	It is stated that overpayments on double payments are being recovered and disciplinary inquiries against the relevant officers have been initiated.

#### 4.4 Deficiencies in Contract Administration

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer / Accounting Officer
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<p>(a) Construction of Building of the National Library and Documentation Services Board of Sri Lanka at Thambuththegama.</p>		
<p>-----</p> <p>The Chief Ministry of the North Central Province had entered into an agreement with a contractor for the construction of a building for the National Library and Documentation Services Board of Sri Lanka at Thambuththegama in 2016 at a cost of Rs. 24,987,271 under the special projects.</p>		
<p>(i) Even though a minimum of 21 days should be provided for potential bidders to submit bids as per Procurement Guidelines 6.2.2, the bidders were given only 05 days to submit bids and as a result, only one bid had been submitted.</p>	<p>A minimum of 21 days should be given to potential bidders to submit bids.</p>	<p>It is informed that a minimum period of 21 days is currently being granted.</p>
<p>(ii) Even though construction work had to be completed by 22 February 2017 as per the agreement, construction was completed on 10 January 2019. A</p>	<p>The late fee of Rs. 2,498,727 to be charged as per the agreement should be recovered.</p>	<p>Comments had not been made.</p>

late fee of Rs. 2,498,727 to be charged in terms of the agreement had not been recovered.

(iii) This building, which had been constructed by incurring a sum of Rs. 25,204,783, was idling for more than one year without opening it even by 15 July 2020.	This building, which had not been opened even by 30 September 2020, should be opened soon.	Comments had not been made.
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(b) Constructions carried out on the provisions of the Nearest School the Best School Project

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 Following are the findings of the constructions implemented in schools in the North Central Province in 2016 and 2017 using the provisions of the Nearest School the Best School project.

(i) It was revealed at the audit test check that work had not been finalized as per the Agreement although mobilization advance amounting to Rs. 9,066,775 had been paid for the commencement of the work of two construction contracts, for which the contractual amount was Rs. 21,946,785. However, legal action had not been taken to recover the advances and pertaining to the contractors who had not finalized work as per the agreement.	Legal action should be taken to recover advances paid for contracts which had not been completed as per the agreement and against the contractors who had not completed the work as per the agreement.	Comments had not been made.
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(ii) In awarding a sub project worth Rs. 1,707,275 to an approved Association, the agreement had been signed for a value, which is Rs. 292,725 more than the said engineering estimate. The value of I would like to inform you that contracts are approved currently being awarded for the engineering estimate. Associations should not exceed the engineering estimate.

#### 4.5 Implementation of Projects

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##### 4.5.1 Delayed Projects

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The Chief Ministry had signed an agreement on 31 July 2017 for the construction of the Administrative Resource Centre Building of the Early Childhood Development Authority at a cost of Rs.24,267,211 by planning the project, preparing engineering estimates and bidding documents without identifying a specific location for construction. Later, construction work had been started on a plot of a land in the Anuradhapura Municipal Council area. However, the work on the project had been stopped midway due to non-obtaining of the development permit and failure to construct the building as agreed. Therefore, the amount of Rs. 2,079,562 paid for the project had become an idle expense.</p>	<p>Once a specific location is identified, project planning, preparation of engineering estimates and bidding documents should be done.</p>	<p>I would like to inform you that the project will be planned, engineering estimates and bidding documents will be prepared once a location is identified in the future.</p>

#### 4.6 Management of Assets

##### Idle Assets

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
(a)	The junior and secondary primary laboratory building of Mudunegama Maha Vidyalaya, which was constructed at a cost of Rs. 36,643,690 under the Nearest School the Best School Project was opened on 01 March 2019. However, it was idling for more than one year due to non-availability of electricity connection.	The building, which is still idling even by September 2020 should be used.	I would like to inform that arrangements have been made to obtain electricity connection.
(b)	Twenty two (22) official quarters out of the 25 official quarters in the schools of the Galenbindunuwewa Zone of Education, remained idle as action had not been taken to provide the quarters to teachers.	Action should be taken to provide these 22 official quarters, which remained idle even by September 2020, to teachers.	Comments had not been made.
(c)	The assets of 04 schools in the Galenbindunuwewa Zone of Education, which were closed before a period of 5 to 20 years, are being utilized by the other external parties. However, action had not been taken to formally transfer the assets.	Action should be taken to transfer the assets of the 04 schools to the parties, which may utilize the assets. .	Comments had not been made.

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| (d) A sum of Rs. 435,449 had not been utilized in 2015, Rs. 341,731 in 2016, Rs. 358,730 in 2017 and Rs. 378,239 in 2018 out of the funds provided for special education in the 08 Zonal Offices of Education. | All funds provided to Zonal Offices of Education should be fully utilized. | I would like to inform you that the Zonal Directors have been instructed to make full use of the funds received in the future. |
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#### 4.7 Staff Administration

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##### 4.7.1 Ministries, Departments and Institutions of the Provincial Councils

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) The existence of 78 vacancies in 18 posts of the approved cadre of 186 in the Provincial Department of Probation and Child Care Services had adversely affected its performance.	Action should be taken to recruit officers for the existing vacancies in 18 posts.	Approval has been sought for recruitment.
(b) Since action had not been taken to fill the 21 vacancies in the essential posts of the Provincial Department of Social Services had adversely affected the performance of the Department.	Action should be taken to recruit officers for existing vacancies.	Approval has been sought for recruitment.

#### 4.7.2 School Staffs

-----	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a)	There were 14 vacancies in 03 posts and 06 excesses in 02 posts in the approved cadre of the Galenbindunuwewa Zonal Office of Education.	Action should be taken to recruit employees for vacancies and to transfer excess employees to other locations.	Comments had not been made.
(b)	There were 91 excesses in 05 posts and 131 vacancies in 04 posts in schools in the Galenbindunuwewa Zone of Education.	Action should be taken to recruit employees for vacancies and to transfer excess employees to other locations.	Comments had not been made.

#### 4.7.3 Hospital Staff

-----	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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	There were 1111 vacancies in hospitals in the North Central Province, including specialist medical officers, other medical officers, paramedical officers and nurses.	Staff required for filling vacancies should be requested and obtained from the Central Government.	Comments had not been made.

## 05. Accountability and Good Governance

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### 5.1 Action plan

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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According to the Public Finance Circular No. 01/2014 of 17 February 2014, the Provincial Council and 05 of its Ministries, Departments and Institutions had not prepared action plans for the year under review.	All institutions are required to prepare action plans in accordance with the Circular.	Comments had not been made.

### 5.2 Tabling of Annual Reports

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Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Annual reports related to the past years had not been tabled in Parliament.	Annual Reports should be tabled in Parliament.	Comments had not been made.

### 5.3 Sustainable Development Goals

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Chief Accounting Officer</b> -----
<p>The North Central Provincial Council and the other institutions of the Provincial Council had not identified the targets to be achieved in the accomplishment of the Sustainable Development Goals and the gaps in achieving those goals as well as the appropriate indicators to measure progress.</p>	<p>It is necessary to identify the targets that need to be achieved in the accomplishment of Sustainable Development Goals and the gaps that exist in achieving those goals as well as the appropriate indicators to measure progress.</p>	<p>Comments had not been made.</p>