

Northern Provincial Council – 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Northern Provincial Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 and the statement of financial performance and cash flow statement for the year then ended and summary of significant accounting policies and other explanatory information, 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 provisions of the Section 23 (1) of the Provincial Councils Act No. 42 of 1987 and National Audit Act, No.19 of 2018. The Summary Report was issued on 21 June 2023 in terms provisions of Section 23 (2) of the Provincial Councils Act and sub Section 11 (1) of the National Audit Act No. 19 of 2018. The Annual Detailed Management Audit Report was issued on 13 July 2023 in terms of sub Section 11 (2) of the National Audit Act, No.19 of 2018. This report is presented to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with sub Section 10 (1) of the National Audit Act, No.19 of 2018. A copy of this report is also issued to the Governor for presenting in the provincial council in terms of provisions in Section 23 (2) of the Provincial Councils Act No. 42 of 1987.

In my opinion, except for the effect of matters described in the basis for Qualified opinion section of my report the financial statements give a true and fair view of the financial position of the Northern Provincial Council as at 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a)	Even though Rs. 76.28 million allocated for health activities and quality inputs in 08 education zones had been presented as recurring expenses in the financial performance statement, the amount had not been spent until the end of the year under review.	Actions are being made to utilize the money for the relevant purposes.	Financial statements should be prepared accurately.

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| (b) | The assessed value of Rs. 275.93 million related to 54 lands and buildings of Kilinochchi Regional Directorate of Health Services had not been accounted. | Accounting will be done in the coming year. | Assessed value should be accounted. |
| (c) | Realized assets of Rs. 0.93 million had been further presented as non-financial assets in the financial statements. | That, the value will be deducted from non-current assets. | Financial statements should be prepared accurately. |
| (d) | There was a difference of Rs. 2,402 million between the value of non-financial assets shown in the statement of financial position in 10 departments and the value of these assets according to CIGAS software. | Actions are being made to enter these changes in to the CIGAS software. | Transactions should be properly accounted. |

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

1.3 Responsibility of the Management for the Financial Statements

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

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Northern Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities to enable to prepare annual and periodical statement.

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

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

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

- Identify and assess the risk of material misstatements of the financial statements, whether due to frauds or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The effect of a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omission, misrepresentation or override of internal control.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of applied accounting policies and reasonableness of accounting estimates and the disclosures of related party transactions done by the management.
- Evaluate the overall presentation, Structure and contents of the financial statements including the disclosures and whether the financial statements represent the underline transactions and events in a manner that achieves fair presentation.

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

1.5 Comments on Financial Statements

1.5.1 Head 401 –Provincial Public Service Commission

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though there were unused buildings of the Provincial Council, the commission office has run in a private building and had been paid Rs. 15.35 million as rent from the year 2011 to the year 2021.	Actions are being made to relocate the offices.	Actions should be made to reduce costs and avoid underutilization of assets.

1.5.2 Head 412 –Ministry of Provincial Education, Cultural Affairs, Sports and Youth Affairs

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Since the year 2000 till now, action had not been taken for the last 22 years regarding the total loss of Rs. 55 million because of war and theft in 69 schools in 06 education zones.	The concerned zones have been advised in this regard and follow-up activities have been initiated. Actions will be taken to write off the above losses as soon as possible.	Appropriate actions should be taken.
(b) From the year 2016 to the year 2020 under the “Nearest School Best School” project, the total amount is Rs. 515.48 million for the construction of 34 school buildings, although a contract period of 06 months to 12 months had been given, none of the constructions had been completed till now.	The above programs are implemented in accordance with the guidelines of the Central government’s Ministry of Education.	There should be a utilization for the money spent.

- (c) Efficiency Bar examinations had not been conducted for 04 years for 30 school laboratory assistants. Also, 11 of them had not been given annual salary increments from the period between 02 and 04 years due to the unresolved salary discrepancies. So far, the Efficiency Bar examinations has been conducted. Actions will be taken to give increments after passing. Salary discrepancies issues should be resolved.
- (d) There were occasions when the administrative tasks to be performed regarding the principals had not been performed properly. Appropriate actions will be taken in future. Administrative tasks should be done efficiently.
- (i) 489 principals had not been promoted in ranks, due to non-updating of files, non-conduct of Efficiency Bar examinations.
- (ii) Salary increments had not been given to 651 principals between the years 01 and 05.
- (iii) Arrears had not been paid by calculating correct salaries to 45 principals
- (iv) Even though a period of time had passed between 01 and 07, the appointments of 639 principals had not been confirmed.
- (v) Even though sufficient time had passed since retirement, pensions had not been available of 639 principals.
- (vi) 232 principals have not been given widow and orphan pension numbers till now.

- (e) A construction carried out by the Department of Education at a total cost of Rs. 1.5 million had been left unfinished since last 03 years. According to the National Budget Circular No. 03/2022 dated 26 April 2022, the related work has been completed as per a Memorandum of Understanding (MOU) made so that the contractor and the entity do not incur any losses. Adequate utilization should be received for the expenditure incurred.

1.5.3 Head 420 –Office of the Provincial Chief Secretary

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) 139 buildings belonging to the Provincial Council had been remained unused for a period between 02 and 25 years.	Actions will be taken to repair and re use, after having provisions.	Assets should not be remained as idle.
(b) 94 vehicles belonging to the Provincial Council have been remained unused since 02 to 06 years.	Has been advised to take appropriate actions.	Assets should not be remained as idle.
(c) Investigations related to the financial frauds of Rs. 20.44 million which had been revealed under the losses and omissions of the Northern Provincial Council's financial statement had not been completed and action had not been taken to collect the money.	Actions have been taken to recover to the provincial council fund.	The loss should be recovered immediately.
(d) There was an excess of 1,350 development officers over the number of employees approved by the Department of Management Services.	Answers were not submitted as applicable.	The excess should be effectively allocated.

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| (e) | There were a total of 2148 staff vacancies including 112 senior level vacancies, 61 tertiary level vacancies and 1975 secondary, primary level and other vacancies from other departments of the provincial council except education and health departments. | Requests are made to fill up the vacancies. | Vacancies should be filled as required. |
| (f) | Actions had not been taken so far regarding the loss of goods worth Rs. 0.42 million between the years 01 and 03 at the Ministry of Provincial Education and the Juvenile Correctional School. | Such errors will be avoided in the future. | Appropriate actions should be taken. |

1.5.4 Head 421 –Office of the Deputy Chief Secretary (Finance)

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) From the year 2016 to the year 2019, the stamp duty received by the Northern Provincial Treasury amounting to Rs. 266 million had been credited to the provincial revenue due to non-application by the relevant local authorities.	In terms of sub-section 2 section 2 of the Northern Province Stamp Duty Act No. 02 of 2014, the unclaimed stamp duty for more than 02 years was transferred to miscellaneous revenue.	Actions should be taken to comply with all applicable laws and regulations.
(b) During the year under review a sum of Rs. 10.71 million had been agreed to be paid without making any provision. Due to this, the amount was shown as Liability.	The specified expenses for the relevant financial year were incurred in this year, due to reasons such as non-availability of provision, imprest, bills etc.	Should be complied with provincial financial rules.

1.5.5 Head 430 –Provincial Buildings Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though 38 work supervisors had not been received the approval from the Department of Management Services, Rs. 18.94 million had been paid to them as salaries and allowances during the last 08 years.	Salaries and allowances will be paid subject to the approval of excess staff.	The approval from the Department of Management Services should be obtained.

1.5.6 Head 431 –Provincial Irrigation Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
11 office buildings and 174 dormitory buildings had not been assessed and accounted.	Those values will be assessed and added to non-financial assets.	Accounts should be properly prepared.

1.5.7 Head 432 –Provincial Road Development Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
In 2008, the Provincial Public Service Commission had been appointed a development officer working in the department to cover the duties of the mechanical engineer in the same department. But, till now there was no recruitment of a mechanical engineer or a suitable person to cover the duties. Also, from the year 2011	The Northern Provincial Public Service Commission had authorized him to perform that duty, since this Development Officer was qualified for the relevant post. Also, his allowances were proposed by the Board of Management and approved by the Chief	Actions should be taken to comply with the Establishment Code.

to the year 2022, Rs. 2 million Secretary. The Board of had been paid to this Management approved to Development Officer in increase the allowance. All contravention of Section 12:3 of these allowances were Chapter VII of the given only from the Establishment Code and no revenue of the mechanical formal letter of appointment was sector. given to him.

1.5.8 Head 440 –Provincial Department of Social Services

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
98 units of furniture worth at Rs. 0.70 million purchased for distribution to disabled persons had been remained idle in the warehouse for last 05 to 39 months.	These materials are distributed as per the requests of needy beneficiaries.	There should be adequate utilization for the money spent.

1.5.9 Head 450 –Provincial Department of Health Services

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to the Private Medical Institutions (Registration) Act No. 21 of 2006, there were 167 private medical institutions in the Northern Province that were not registered with the Private Health Services Regulatory Council.	The details of the unregistered institutions have been sent to the Health Services Regulatory Council for taking relevant action.	Actions should be taken to comply with Act.
(b) 05 vehicles accidents, misplaced stocks in health offices, theft of computers given to family health service officers and cardiac pacemaker in Gurunagar hospital, etc., had not been investigated and the responsibility had not been determined.	After receiving the insurance value of 04 vehicles, it was decided to implement the recommendations.	Actions should be taken to comply with Financial Regulations.

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| (c) Appropriate actions had not been taken for 1,909 vacancies, including 72 Health Inspectors, 43 Pharmacists, 32 Hospital Supervisors, 96 Medical Consultants, 73 Doctors, 143 Family Health Officers, 130 Nurses and 21 Public Health Nurses. | Appointments are made on priority basis by the Central Government's Ministry of Health. Accordingly, these vacancies are expected to be filled in another year or two. | Appropriate actions should be taken. |
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1.5.10 Head 451 –Department of Indigenous Medicine

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A construction costing a total of Rs. 40.8 million had been left unfinished since last 03 years.	According to the National Budget Circular No. 03/2022 dated 26 April 2022, the related work has been completed as per a Memorandum of Understanding (MOU) made so that the contractor and the entity do not incur any losses.	Adequate utilization should be received for the expenditure incurred.

1.5.11 Head 472 –Provincial Cooperative Development Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) At the end of the year under review, out of 2,185 registered cooperative societies, 1,031 societies had been remained inactive.	Plans have been made to reform those societies that can be made functional and to dissolve the rest.	Appropriate actions should be taken.
(b) The total amount of Rs. 43.84 million of machinery given in the year 2019 to improve the operations of 04 cooperative societies in Kilinochichi	Appropriate actions are being taken.	Assets should not be remained as idle.

district had been remained unused for a period of 03 years without being used for the relevant purposes.

1.5.12 Head 480 –Provincial Department of Agriculture

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even though 69 acres of land where the Vavuniya government seed farm and Kranchi farm are located had not been transferred the ownership to the provincial agriculture department and the value of Rs. 957.4 million had been accounted as non-financial assets for them.	Actions are being made to transfer the ownership.	Ownership of assets should be clear.
(b) A sum of Rs. 1.52 million of the refrigerators and stores which was received in the year 2013 for the works of commercial advance accounts of the provincial agriculture department, had been remained idle for a period of 09 years.	Reports were received that refrigerators could not be repaired. The storage is used for other suitable purposes.	Assets should not be remained as idle.
(c) 05 construction works carried out by the Department of Agriculture at a total cost of Rs.42 million had been left unfinished since last 03 years.	According to the National Budget Circular No. 03/2022 dated 26 April 2022, the related work has been completed as per a Memorandum of Understanding (MOU) made so that the contractor and the entity do not incur any losses.	Adequate utilization should be received for the expenditure incurred.

1.5.13 Head 481 –Provincial Land Administration Department

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Out of 680 disputes regarding squatters on government land, 117 disputes had not been resolved.	For those 117 disputes, investigations will be conducted this year and solutions will be provided.	Immediate actions should be taken to resolve disputes.
(b) The building construction work for the department's offices was started in April 2021 and completed in February 2023 with bilateral agreement and the project was abandoned, thus Rs. 21.99 million spent on it had become a useless expenditure. Also, Rs. 7.31 million had been paid as building rent from 2011 to 2021 for running the offices of the department.	No answers were given.	There should be adequate utilizations for the money spent.

1.5.14 Head 482 –Provincial Department of Animal Production and Health

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) During the awarding of contracts under the market pricing system, goods worth Rs. 2,427,600 had been purchased in 02 cases exceeding the limit of Rs. 1 million in accordance with the guideline 2.14.1 of the Code of Procurement Guidelines amended by the 35th supplement.	The procurement limit was estimated taking into account the living cost of the previous months.	Actions should be complied with procurement guidelines.
(b) Animal feed worth Rs. 11,449,370 had been purchased from unregistered suppliers in contravention of Guideline 3.4.3(a) of the Code of Procurement Guidelines.	Instructions have been given to register the suppliers in the future.	Actions should be complied with procurement guidelines.

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| (c) | Rs. 964,598 obtained for payment of vehicle customs tax had been remained in the general deposit account for more than 03 years. | Actions are being taken to pay customs duties promptly. | Liabilities should be settled promptly. |
| (d) | A sum of Rs. 2.72 million of 05 equipment purchased in 2013 for Aninjayankulam farm for processing milk related products had not been used since the date of purchase. | Requests have been made for the approval of the Chief Secretary to hand over unused machines and assets to a social institution on lease basis. | Assets should not be remained as idle. |

1.5.15 Provincial Road Passenger Transport Authority

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) According to paragraph 65 of Sri Lanka Public Sector Accounting Standards No 7, as per Statement of Financial Position, the effective life of non-current assets of Rs. 3.94 million had not been reviewed for the past 05 years.	This will be noted and reviewed.	Should be complied with accounting standards.
(b) As per the Provincial Road Passenger Transport Authority Statute No. 1 of 2016, a sum of Rs. 4.67 for transport allowances, communication allowances, special allowances and fuel allowances had been paid to 47 employees and chairman in the year under review and the previous year without obtaining proper approval. Even though 04 circulars of the Public Enterprises Department were based on this, none of those circulars had been applied to the Provincial Council.	Payments shall be made only after the approval of the Board of Management in accordance with the relevant circulars and in terms of Section 37 Paragraph 2 of the Provincial Road Passenger Transport Authority Statute, the officers and other employees appointed under Section 37 Paragraph 1 shall be paid in such manner and at such percentages as the Board may decide, only the payments have been made.	Actions should be taken to obtain formal approval before making payments.