

North Central Provincial Council - Year 2022

1. Financial Statements

1.1 Qualified Opinion

The audit of Financial Statements of the North Central Provincial Council for the year ended 31 December 2022, comprising the Statement of Financial Position as at 31 December 2022, Statement of Financial Performance, Cash Flow Statement for the year then ended and significant accounting policies and other explanatory information was carried out for the year then ended, under my direction in pursuance of provisions in Article 154 (3) of the constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act No. 42 of 1987 and provisions of the National Audit Act, No.19 of 2018. The summary report on these financial statements was issued on 31 July 2023 in terms of provisions in Section 23(2) of the Provincial Councils Act Sub-Section 11(1) of the National Audit Act, No.19 of 2018 and the Annual Detailed Management Audit Report was issued on 20 June 2023 in terms of Section 11(2) of the National Audit Act, No.19 of 2018. The report of the Auditor General in pursuance of provisions in Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Sub-Section 10(1) of the National Audit Act, No.19 of 2018 will be tabled in Parliament and a copy of the report will also be submitted to the Governor to be placed before the Provincial Council in terms of Section 23(2) of the Provincial Council Act No. 42 of 1987 in due course.

In my opinion, except for the effects of the matters described in paragraph of basis for the qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the North Central Provincial Council as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) In the Statement of Financial Position, although the short-term investment balance as at 31st December of the year under review was Rs.1,798,423,885 according to the printed note of the provincial treasury, the balance was Rs.1,796,921,975 at the end of the year under review. Then there was an unsettled amount of Rs.1,501,910 in the investment balance.	The investment value of Rs.1,501,910 made in the year 2021 has not been included in heading number 661. It will be corrected in the year 2023.	Before preparing the financial statements, the income and expenditure of the relevant object should be compared with the treasury books and the correct balance should be included in the financial statements.

- (b) In the statement of financial position, as at 31 December of the year under review, there was up to Rs.75,397,260 as receivable investment interest. Adjustments will be made in the year 2023. Interest should be accurately calculated and shown in the financial statements.
- According to the calculations made during the audit, the figure was Rs.140,185,976 and therefore interest income related to the reviewed year was understated by Rs.64,788,716 in the financial statements.
- (c) As per Note 06 and Note 07.1 accompanying the financial statements of the year under review, although the expenditure related to three capital expenditure object was Rs.914,673,651, according to the reports on the movement of non-current assets in the financial statements of the provincial ministries/departments, the said expenditure was Rs.807,076,616 and there was a discrepancy of Rs.107,597,035. The concerned ministry departments have been informed for rectification. The figures in the Provincial Ministries/Departmental Financial Statements should be compared with the Provincial Council Fund Financial Statements.

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

1.3 Responsibility of the Management for the Financial Statements

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

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

As per 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 to prepare annual and periodical statement.

1.4 Auditor’s Responsibility 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 material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery intentional omission, misrepresentation or override of internal control.
- Obtain and understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of applied accounting policies and reasonableness of accounting estimates and the disclosures of related party transactions done by the management.
- Evaluate the overall presentation, Structure and contents of the financial statements including the disclosures and whether the financial statements represent the underline transactions and events in a manner that achieves fair presentation.

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

1.5 Comments on Financial Statements

1.5.1 Head 600 - Governor's Secretariat Office

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(a) After the repair of a car belonging to the governor's office in the year 2021, the vehicle could not be started due to a fault in the electrical system during re-inspection. Although the mechanical engineer had concluded that it was due to an accident, the related damages should be recovered by the insurance company. However until 20, March 2023, the vehicle has become unusable due to non-recovery of insurance compensation and non-repair of the relevant electrical system.</p> <p>And recover the loss in full from the</p>	<p>After the investigations in this regard are completed, the relevant recommendations will be implemented and recoveries will be made.</p>	<p>The investigations should be completed promptly and the relevant recommendations should be implemented.</p>

insurance company in respect of the accident or including recovery from the driver of the portion not paid by the insurance company and Finance Regulation 104(4) recommendations given in the final report, also had not been implemented.

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| (b) | According to the Presidential Secretary's Public Expenditure Management Circular No. PS/CSA/11-18 dated 12 October 2018, Although the number of vehicles that can be allocated for the use of the Honourable Provincial Governors is three, but four vehicles have been allocated for the use of the Governor of the North Central Province. | The Honourable Governor will be informed and arrange to hand over the vehicle back to the Chief Secretary. | Action should be taken as per the circular. |
| (c) | Allocations are allocated under the Provincial Governor's Secretariat for the projects mentioned in the North Central Province Development Plan. Under that, 161 new projects of Rs.260 million had been implemented in relation to the year under review, but Beneficiary selection criteria and project performance indicators were not prepared for those projects. | The governor's office provides the allocations and has instructed the agencies implementing the projects to set the relevant criteria | Criteria for selecting beneficiaries and performance indicators for monitoring the progress of projects should be developed. |
| (d) | According to the National Budget Circular No. 03/2022 dated 26 April 2022 of the Secretary of the Ministry of Finance, although the expenditure that needs to be postponed as non-essential expenses should be identified and measures should be taken to stop or postpone them, 04 projects worth Rs.7,214,950 had been implemented to improve religious places which were not included in the development plan approved by the Finance Commission for the year 2022. | These projects have been implemented from Provincial Council revenues and received the approval of the Honourable Governor for that. | Action should be taken as per the National Budget Circular No. 03/2022 |

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

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(a) A total amount of Rs.10,002,680 had been spent in the year 2020 to install solar power systems in 12 schools selected by the North Central Province Chief Ministry. During the inspection conducted in this regard, electricity was not generated from the system for a period of 06 months to 13 months in two schools, electricity bills were not received monthly, although it was planned to cover the electricity bill of the entire school and also due to the fact that electricity was used through other electricity meters in those schools and the monitoring and follow-up activities in this regard were in poor condition, therefore the intended purpose of the said projects was not fulfilled.</p>	<p>Since the monitoring process related to this is weak, the principals and trained teachers have been advised to monitor, obtain reports and make a updates of system.</p>	<p>Arrangements should be made to restore the system and generate sufficient electricity and carry out with supervision.</p>
<p>(b) For the construction of a three-storied classroom building and primary learning centre at Mahanama Vidyalaya, Thirpappane. On 13, March 2017, Rs.41,451,987 for contracted projects without obtaining a certificate from the Superintending Engineer that the contractor is established at the site Rs.14,508,196 (inclusive of VAT) despite payment of advance of commencement of work and the contractor had abandoned this project without commencement of work. However, the advance guarantee of Rs.12,435,596 and the performance guarantee of Rs.2,072,600 received from the</p>	<p>A committee consisting of an engineers and technical officers has been appointed and is expected to proceed accordingly.</p>	<p>Action should be made to promptly recover the advances paid for the unfulfilled works and complete the related projects.</p>

contractor were not converted into money before the end of the relevant period.

Also, an 80'x20' school building that was currently use and demolished to make room for these constructions.

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| <p>(c) For the construction of sports auditorium in Mahanama Vidyalaya, Thirpappane which worth of Rs.4,542,277 in the year 2017, and the contracted project Rs.1,086,085 the construction was abandoned after the value of the work done.</p> | <p>A committee consisting of an engineers and technical officers has been appointed and is expected to proceed accordingly.</p> | <p>Arrangements should be made to complete the relevant projects promptly.</p> |
| <p>(d) For improvement of ground with playground of Mahanama Vidyalaya, Thirpappane Rs.5,061,771 for the contract signed on 15, May 2017, the Chief Ministry had paid Rs.7,124,767 without obtaining the approval of the Superintending Engineer for supplying soil and gravel in excess of the estimated quantity.
Also, the playground was not finished with gravel as agreed</p> | <p>A committee consisting of an engineers and technical officers has been appointed and is expected to proceed accordingly.</p> | <p>Action should be taken as per the procurement guidelines</p> |
| <p>(e) Under the Nearest School Best School Program on the provisions of the Chief Ministry, although 05 construction projects worth Rs.65,680,724 have been contracted to be completed between 2nd October 2016 and 12, February 2017 in Padaviya Mahasen Maha Vidyalaya, Padaviya Mahasen Primary School and Padavi Parakramapura Primary School. Those construction work was abandoned without complete work and the amount paid for them was Rs.14,304,115</p> | <p>By discussion and amicable agreement regarding non-completion of work by contractors, The contract agreements have been finalized and re-estimated and the related works are planned to be completed in the future.
A preliminary investigation is being underway into the incident.</p> | <p>Arrangements should be made to complete the relevant projects promptly.</p> |

- (f) In terms of Provincial Finance Rules 259.2 and 259.3, although the impress balances of the Ministry as at 31st December shall be settled back on 10th January of the following year or on such date as may be fixed by the Provincial Treasury.
- It has been informed that the relevant advance amount cannot be settled as the Bribery or Corruption Investigation Commission is being conducting investigations.
- The impress should be settled according to the provincial financial rules.
- As at 31 December 2022 as per Note 01 to the Financial Statements of the year under review, the impress balance given by the Provincial Chief Ministry in the year 2012 but not yet settled was Rs.26,405,861.

1.5.3 North Central Province Development Design and Machinery Agency

Audit Observation	Comment of the Chairman of Agency	Recommendation
<p>(a) Belonging to the attached staff of agency, 06 employees in 03 primary level positions are attached to provincial departments which was outside the agency.</p> <p>In relation to the reviewed year, the salary and allowances incurred by the agency for the said employees was Rs.3,296,908</p>	<p>Exempted from time to time as per the requests made by the Chief Ministries.</p>	<p>The employees of the agency released to other organizations should be employed for the duties of the agency.</p>
<p>(b) The vehicle repair department of the agency had purchased spare parts worth Rs.22,702,451 during the year under review.</p> <p>The procurement of the spare parts was done without inviting competitive bids as per the procurement guidelines.</p>	<p>According to the procurement guidelines, a suitable system for the organization will be quickly prepared and forwarded for approval.</p>	<p>Arrangements should be made to purchase spare parts as per procurement guidelines.</p>

1.5.4 Head 611 - Department of Local Government, North Central Province

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The preliminary investigations and disciplinary investigations of 08 officials who have been suspended from work in local government institutions for a period of 01 to 07 years have not been completed.	Investigations will be conducted expeditiously.	The relevant investigations should be completed promptly.
(b) By the Local Government Department during the year under review, based on a single bid without calling for competitive bids in accordance with the Code of Procurement Guidelines, the State Commercial Miscellaneous Statutory Corporation received Rs.8,420,602 worth of office equipment and computer accessories had been purchased. Here the prices of those goods are compared with the market prices, a peak of 154 percent was taken from 100 percent. In the process of making these purchases, the guidelines to be followed step by step according to the Code of Procurement Guidelines were not followed.	As per the decisions of the cabinet Ministers (Central Government), the provisions of the Provincial Treasury Circular issued by the have been dealt with.	Procurement guidelines should be followed and purchases should be made in such a way as to bring economic benefits to the Provincial Council Fund.
(c) The total of 15 employee loans outstanding for more than 12 years in the advance account of government officers of the Local Government Department as at 31st December 2021 was Rs.1,458,814	No comments have been made.	Arrangements should be made to settle outstanding loan balances promptly.

1.5.5 Head 612 - Department of Education, North Central Province

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) As per sub-section 10(i) of Public Administration Circular No. 07/2018 dated 24 May 2018, although the pension file should be properly prepared and sent to the concerned Divisional Secretariat on the date of retirement of the concerned officer or within a week thereafter, The North Central Province Education Department had not forwarded the pension files of 88 teachers to the Divisional Secretariat.	A delay has occurred and steps will be taken to minimize the delay in the future.	It should be done as per State Administration Circular No. 07/2018 dated 24 May 2018.
(b) Out of the 811 schools belonging to the provincial education department, the number of schools supervised by the divisional and Zonal offices in the year 2022 was only 376. Out of the schools that were monitored, the average performance of 114 schools was below 60 percent.	Reasons such as the decrease in the number of school days and lack of educational staff have affected this and it had been plan to Designed and implemented guidelines aimed at student performance.	No. 31/2014 dated 02 December 2014 should act accordance with an evaluation circular for ensuring the quality of school education and the code of instructions.
(c) Conducted for school students at national level, when comparing the results of GCE (O/L) and Advance Level Examinations with other provinces, the North Central Province had taken the 09th place.	There is a gradual improvement from 2016 to 2020. The programs aimed at the year 2022 are planned to be implemented in the year 2023.	Action should be made to increase the results of national level examinations.
(d) In the Zonal Education Offices belong to 07 jurisdictions, out of the 1,399 teacher and principal quarters in 586 schools, 947 quarters of 810,471 square feet are in a state of require repair and 183 quarters of 146,976 square feet were unusable. Therefore 908 of those quarters remained unused due to no one living there.	This situation has arisen due to the allocation of limited provision for annual repairs.	Requirement should be identified and quarters should be repaired and provided for occupancy.

- (e) From 1985 to 2016, 49 schools in 06 Zonal Education Office areas were closed due to various reasons, and it had 110 school buildings of 115,800 square feet 21 teacher's houses , 01 principal's house and the area of the closed schools was 122.75 acres.
- The closed schools have been instructed to formally hand over to the respective divisional secretaries
- Permanently closed school buildings and lands should be handed over to the Divisional Secretary so that they can be used for other development activities of the government.
- (f) Attached to North Central Provincial Schools 63 principals and teachers were released to other institutions for a period ranging from 02 months to 32 years Out of all, 61 of those released teachers, from the date of release to the end of the year under review, the relevant officers report to work, arrival and departure, leave etc. information and without verifying the information about the allowances received from the released institutions. And also the total amount of salaries and allowances paid to those officials by the Zonal Education Offices was Rs.257,490,892.
- Requests have been made from the relevant institutions to reimburse the salaries.
- Adequate confirmations should be obtained while assigning the respective teachers to the schools and paying their salaries.
- (g) According to the quarterly reports for the last 4 months of the reviewed year given by the principals to the zonal education offices, there was more than Rs.100,000 in the development society accounts of 318 schools. Further, at the end of the year under review, the total value of the money held in the school development society accounts was Rs.153,191,866 The zonal education offices had not carried out proper supervision on that, and the four-month reports related to the last 04 months of the year 2022 of 81 schools had not been given to the zonal offices.
- While discussing this in audit and management committee meetings, the Zonal Education Directors have been instructed to supervise this personally.
- This money should be used for the relevant purpose in accordance with the circular of the Secretary of the Ministry of Education dated 22, June 2018 and dated 26/2018.

- (h) Although the Head of Department should ensure that the expiry of the probationary period of an officer who is to be fixed in service or to extend his probationary period or terminate the probationary appointment, however 313 teachers who were appointed as teachers in the period from 1989 to 2022 in the schools located in the North Central Province were not dealt with accordingly.
- The activities related to the permanent service will be carried out by the Director of Education.
- Action should be made to make the relevant teachers permanent.
- (i) Due to non-appointment of grade level principals in 290 schools, Although the teachers belonging to the teaching service were given acting positions to perform the duties of the principal's position, But in the 122 schools, grade level principals were performing as the duties of Deputy Principals.
- While recruited to cover the existing vacancies in the posts of Principal and it has become a problem to replace these acting principals who have been employed for more than 05 years.
- Grade Principals should be given the post of Principal.
- (j) Although the number of approved school work assistants, laboratory assistants and guards for 07 schools in zonal education offices are 359, 56 and 270 respectively, Under that, by the end of the reviewed year, the redundant staffs were 219, 61 and 136 respectively. Salaries and allowances paid to these redundant staff for the year under review amounted to Rs.239,800,292
- Although the staff of the Zonal Offices has been requested to be revised, no approval has been received from the Department of Management Services
- Whereas the approved cadre shall be re-reviewed and re-assigned to the post Vacancies of redundant employees should be referred to other agencies where available.
- (k) In the year under review, the Provincial Education Department had purchased 05 computers at Rs.173,300 each for Rs.866,500 without following the procurement guidelines.
- The capacity (central processing unit - CPU) of the computers ordered for this purpose was i5, but the capacity of the computers received was i3. But the capacity of the computers received by the Technical Evaluation Committee was reported as i5.
- It has been accepted that the capacity of the computers provided by the supplier is i3 and it has been agreed to transfer the computers and provide computers with the specified capacity.
- Disciplinary action should be taken for the officers involved in the incident.

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

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) As at 31 December 2022, in the advance account of government officers of the Provincial Ministry of Agriculture, the balance of one employee's debt, which has been outstanding for more than 12 years, was Rs.104,665	No comments have been made.	Arrangements should be made to settle outstanding loan balances promptly.
(b) In terms of Provincial Finance Rules 259.2 and 259.3, although the impress balances of the Ministry as at 31st December shall be settled back on 10th January of the following year or on such date as may be fixed by the Provincial Treasury. According to Financial Statement Note 01 of the year under review, the impress balance of the Provincial Ministry of Agriculture as at 31 December 2022 was Rs.1,072,848	During the implementation of this project, the project was stopped and transferred to another location due to the terrorist activities at that time. Therefore this amount has not been recovered as the concerned contractor is unable to carry out the project and has abandoned the work.	The impress should be settled according to the provincial financial rules.

1.5.7 Head 621 – Agriculture Department of North Central Province

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) The Provincial Agriculture Department had incurred an expenditure of Rs.27,358,427 for the research laboratory building which had been completed in June 2019, but it had not been used for adequate research work as expected.	Although procurement was done to buy the necessary equipment for the research laboratory, it could not be used due to suspension of purchases.	The relevant equipment should be purchased and arrangements should be made to use the research laboratory immediately.
(b) As at 31, December 2021, in the Government Officers' Advance Account of the Provincial Department of Agriculture, the total employee loan balance that has not been charged for more than 12 years was Rs.194,958.	No clarifications have been made	Arrangements should be made to settle outstanding loan balances promptly.

1.5.8 Head 631 - North Central Province Department of Health Services

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In relation to the contract of Rs.643,038,725 for the construction of Nachchaduwa Health Medical Office, the advance of the commencement of work of Rs.12,660,000 had been paid in the year 2021, but due to non-implementation of the project, the amount to be recovered from the advance paid to the contractor was Rs.2,660,000.	As there is a court action with the bank in this regard, and it will be dealt with later.	Action should be taken to recovered advance.
(b) For the repair of an ambulance belonging to Polonnaruwa Regional Health Services Directorate, which had an accident on 22 December 2019, Rs.8,500,000 had been paid And this car has full insurance coverage Also the relevant insurance claim was not obtained.	Disciplinary action has been initiated against the concerned officer.	Insurance compensation recovery and disciplinary action should be expedited.
(c) The total of 27 employee loans outstanding for more than 12 years as of 31 December 2021 in the advance account of government officers of the Provincial Health Services Department was Rs.2,987,320	No comments have been made	Arrangements should be made to settle outstanding debts promptly.

1.5.9 Head 632 - Department of Ayurveda- North Central Province

Audit Observation	Comment of the Accounting Officer	Recommendation
In order to provide services to Sri Lankans and foreigners at Minneriya Ayurveda Hospital, Minneriya Panchakarma Unit which was completed by October 2017 which spent Rs.23,618,102 However, as at 31st December of the year under review, it remained unused and idle.	Arrangements will be made to start as soon as necessary equipment is procured and staff assigned.	Must be used for intended purpose without delay.

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

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>By entering into the revenue license issuing system of the North Central Provincial Motor Vehicle Department and fraudulently issuing revenue licenses of the previous year, and here by smoke certificates, revenue licenses without insurance certificates, deleting, changing and deleting information related to the issued revenue licenses, etc and there was the possibility of vehicle revenue license as well as revenue fraud.</p> <p>The Sri Lanka Information and Communication Technology Agency, which has provided this system to the North Central Provincial Motor Vehicle Department, had failed to identify and correct such deficiencies.</p>	<p>These deficiencies should be clear after implemented ER-2 Program</p>	<p>Deficiencies should be promptly rectified and the internal control process should be strengthened.</p>

1.5.11 North Central Provinces Road Passenger Transport Services Authority

Audit Observation	Comment of the Chairman Accounting Officer	Recommendation
<p>(a) The recruitment procedures related to the recruitment of employees to the authority and the examination procedures related to conducting internal examinations had not been prepared and approved until the end of the year under review. As a result, salary increments were paid and services were made permanent without conducting examinations.</p>	<p>Arrangements will be made to get the recruitment procedure approved in consultation with the Management Services Department.</p>	<p>A recruitment procedure should be approved by concerned institutions.</p>

- (b) As at 31 December of the year under review, it was identify as arrears of Rs.5,934,350 for Anuradhapura New Bus Stand Shops and Rs.656,512 for Long distance bus service Bus Stand Shops and also Rs.2,422,991 for Kekirawa bus station shops and as total Rs.9,013,853 had been mention as arrears rent income. Various measures are being adopted to recover the arrears income. Arrears should be recovered promptly.
- (c) Even though for 08 plots of Medavachchiya Bus Station Terminal belonging to the authority have been leased for a period of 20 years from 06 June 2020, the basis for the selection of those bondholders and the Board's approval for the same were not submitted to the audit. Due to the objections of the shop owners regarding the construction of buildings inside the bus station, this construction is currently suspended. Following the tender procedure, the shop premises should be leased so that the authority can get maximum income.

1.5.12 North Central Provincial Industrial Development Authority

Audit Observation	Comment of the Chairman Accounting Officer	Recommendation
(a) According to Section 5 (c) of the North Central Province Industrial Development Authority ordinance No. 02 of 2003, although all new and existing industrialists in the province must be registered with the Authority, in the year under review, 104 industrialists were registered in Anuradhapura district. However no industrialist in Polonnaruwa district had been registered.	Industrialists in Polonnaruwa district are reluctant to register and will proceed on the basis of future provisions.	The program should be implemented to cover the entire province.
(b) Under the Small Scale Entrepreneurship Development Program implemented by the Ministry of Cooperative Trade and Food and Industrial Development of the North Central Province, During the year under review the Industrial Development Authority has provided Rs.4,825,000 had been given a loan for 49 registered industrialists in the province. According to a sample audit of 17 borrowers, the businesses of 06 loan beneficiaries who	No specific clarifications have been made.	Loans should be given after sufficient verification Continuous follow-up should be done.

acquired loans of Rs.100,000 remained inactive till January 2023. And four other borrowers had submitted fake certificates and obtained loan facilities of Rs.375,000

1.5.13 Head 641 - Cooperative Development Department of North Central Province

Audit Observation	Comment of the Accounting Officer	Recommendation
(a) In 2012, in conjunction with Deyata Kirula exhibition, Due to the rice processing centre of Wilachchiya Various Services Cooperative Society, which was built at a cost of Rs.190 million and it was inactive, also while the machinery purchased by the Provincial Cooperative Department at a cost of Rs.3,038,000 in the year under review to make it operational had not been installed. There is no authorized officer has been appointed to initiate and maintain this project, therefore the project remained inactive.	The Wilachchiya Various Services Cooperative Society has requested a loan for purchased equipment further Accordingly, after purchasing the rest of the equipment, the installation of the machines is scheduled to begin.	Work should be done to achieve the desired goals.
(b) The building of Dampalassa Co-operative District, which was renovated on the provisions of Provincial Cooperative Development Department, and that in the year 2021 at a cost of Rs.1,072,840 was left unusable due to structural weaknesses.	The indicated deficiencies will be rectified by the cooperative society and business activities will be started in the future.	Work should be done to achieve the desired goals.
(c) For the Pension Fund relating to Cooperative Employees' Pension and Social Security Benefit Scheme, as annual co-operative society contribution Rs.7,776,000 and with Rs.10,000,000 received annually from the Provincial Council Fund, therefore the annual receipts were Rs.17,776,000. But the annual pension expense for 560 employee beneficiaries of the fund is Rs. 25,691,016 so the future existence of the fund was uncertain. Also, the amount to be paid as pension for the beneficiaries for the years 2021 and 2022 was remaining Rs.17,791,403	Discussions are being held with cooperative representatives in Anuradhapura and Polonnaruwa districts and further actions are to be taken according to the responses received from the cooperative societies.	Revised Co-operative Employees' Pension and Social Security Benefit Scheme and Funds should be managed so that benefits can be paid annually.

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| (d) | As per Section 58(2) of Co-operative Statute No. 05 of 2009, although Registrar has to deal with appeals to him for settlement of arbitral disputes in respect of a registered co-operative society, in between 1997 and 2020, 31 appeals received by the North Central Province Cooperative Commissioner/Registrar were not completed. | In respect of substantial number of files among the delayed files till the year 2021. And proceedings have been completed and the remaining files are being processed | The provisions of the Cooperative ordinance No. 05 of 2009 should be followed. |
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Regarding these appeals, the amount deposited by the appellants in the Provincial Cooperative Development Department was Rs.1,113,342

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| (e) | Although the financial statements of co-operative societies must be submitted to the Co-operative Commissioner for audit within 03 months of the end of the accounting year, And 33 accounts of 05 cooperative societies in Anuradhapura and Polonnaruwa districts were not submitted to the Cooperative Development Commissioner for audit within the prescribed periods. Its lag time ranged from 01 to 09 years.
Also, 29 accounts belonging to 09 societies received between 2013 and 2021 had not been audited till the end of the reviewed year. | Not enough clarification has been made. | Accounts should be brought before due date and audited timely. |
| (f) | As at 31 December of the year under review, the sum of 2 employee loan balances outstanding for more than 12 years in the Government Officers' Advance Account of the Provincial Cooperative Department was Rs.137,899 | No clarifications have been made. | Arrangements should be made to clear the arrears in the advance accounts. |

1.5.14 Head 642 – The Department of Industrial Development - North Central Provinces

Audit Observation	Comment of the Accounting Officer	Recommendation
As of 30, August 2022, the shop rent and fines due from 34 people for renting out shop rooms owned by the Provincial Industries Department without a formal	In this regard, the shopowners have submitted an appeal to the Honorable Governor, and will proceed	A formal agreement should be reached and the arrears should be recovered.

agreement amounted to Rs.1,914,365 to recover based on that
 Out of that Rs.549,900 was a balance decision.
 from before the month of April 2019, and
 on 30 August of the reviewed year, an
 amount of Rs.437,950 should have been
 charged from 09 plate shops and the
 necessary measures were not taken to
 recover the arrears.

1.5.15 Head 650 -Ministry of Provincial Lands, Irrigation, Highways, Housing, Rural Development and Women Affairs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>In terms of Provincial Finance Rules 259.2 and 259.3, although the outstanding balances of the Ministry as at 31st December shall be settled back on 10th January of the following year or on such date as may be fixed by the Provincial Treasury.</p> <p>According to the financial statement note 01 of the reviewed year, as of 31, December 2022, the outstanding balance given by the Provincial Irrigation Ministry in the year 2007 but not yet settled was Rs.302,158</p>	<p>That the unpaid advance amount of Rs.302,158 paid as advance for the construction of the dormitory of Eriagama Carpentry Training School</p> <p>Since then, due to changes in the scope of the ministries, it has not been possible to recover this amount.</p>	<p>The outstanding balance should be settled as per provincial financial rules.</p>

1.5.16 Provincial Road Development Authority

Audit Observation	Comment of the Chairman	Recommendation
<p>(a) Included in the development plan of the Provincial Road Development Authority during the year under review, planned to purchase for road maintenance is Rs.61.97 million material purchases had not been made.</p> <p>The Authority's regional engineering office estimated</p>	<p>These projects have not been implemented due to the unstable situation in the country.</p>	<p>Development plan should be followed.</p>

to be completed by 11 road maintenance works worth Rs.17.32 million had also been abandoned.

- (b) For road maintenance works based on the provisions received in the year 2021 from the Ministry of Provincial Lands, Irrigation, Highways, Housing, Rural Development and Women Affairs, purchased Rs.180,082 of gravel and Rs.983,823 road rehabilitation projects were carried out during the year under review using bitumen. And that value was reimbursed by the Ministry.
- It has been informed that it will be corrected in the coming year.
- Proper monitoring should be maintained in the utilization of funds and over-recovery should be rectified.

1.5.17 Head 652 – Provincial Land Registrar Department

Audit Observation	Comment of the Accounting Officer	Recommendation
According to the records of the Provincial Land Commissioner's Department As at December 31 of the year under review, the outstanding balance under revenue code number 2002-01-03 under land and other license fees was Rs.313,416,505	Further action will be taken based on the report dated 2022.10.04 of the Chief Secretary.	Actions should be taken to recover tax arrears.

1.5.18 Head 653 – Provincial Rural Development Department

Audit Observation	Comment of the Accounting Officer	Recommendation
At the end of the year under review, although about 10 years have passed since the establishment of the Rural Development Fund, due to the fact that the rules of the fund were not prepared, the amount of Rs.1,875,906 in the bank account of the fund as at 31 December of the year under review remained idle and could not be used to fulfil one of the aims and objectives.	While the approval of the Chief Secretary has been received to refer to fixed deposits and a top management committee has been appointed to take decisions regarding the fund.	The provincial councils should be prepared and approved by the relevant parties.

1.5.19 Head 660 – North Central Province Chief Secretariat

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) As of December 31 of the year under review, the amount still to be paid to the relevant local government bodies under stamp duty and court fines collected by the Chief Secretary was Rs.126,989,584 and Rs.41,580,673 respectively.	As per requests from local government agencies and these fees will be waived.	The revenues belonging to the provincial governing bodies should be released to those bodies.
(b) By the end of the year under review, Rs.182,921,248 had been spent to build training center, and this training center remained underutilized due to reasons such as not reaching the expected output level, planning to build buildings with more capacity than the required training capacity and being built in parts, and the existence of separate training centers for provincial council departments.	Various festivals and concerts are provided for a fee and a part of this building is being negotiated to be given on rental basis to an institute that trains expatriate workers.	Efforts should be made to utilize the training unit effectively.
(c) Although it was decided by a committee appointed by the Chief Secretary in January 2022 to auction and sell 80 decommissioned vehicles owned by the North Central Provincial Council. The said works had not been implemented by 31, March 2023.	Arrangements are being made to quickly auction the identified vehicles	Abuse activities should be done and completed immediately.
(d) The total of 08 employee loans outstanding for more than 12 years as of 31 December, 2022 in the advance account of the government officials of the Chief Secretariat was Rs.1,855,552	No comments have been made	Arrangements should be made to settle outstanding debts in advance accounts.
(e) From the beginning of the year 2010 in the contingency fund till August of the year under review Rs.13,000,000 was invested in fixed deposits Rs.1,205,684 to Rs.13,594,474 in a savings account.	It was agreed with the observations sent by the audit and it was noted to avoid such a situation in the future.	Available balances in fund accounts should be invested more effectively.

1.5.20 Head 661 – North Central Provincial Treasury

Audit Observation	Comment of the Accounting Officer	Recommendation
<p>From the provincial council fund, Rs.1,798,423,885 were invested in short-term investments in the manner of automatic renewal after maturity. Also the attention of the management was not focused on deploying those deposits in more effective proposals based on the competitive rates of the State Commercial Banks for each period.</p>	<p>This money has been invested in two state banks where there are accounts related to the provincial council fund</p>	<p>Focus on more productive investments at competitive interest rates.</p>