

Southern Province

1. Financial Statements

1:1:1 Presentation of Financial Statements

(a) Provincial Council Fund Account

The Provincial Council Fund Account for the year under review had been presented to audit on 30 March 2012.

(b) Other Accounts

The progress of presentation of the other accounts of the Provincial Council for the year under review as at 30 April 2012 is given below.

Account	As at 30 April 2012			
	Total Number of Accounts	Number of Accounts Presented	Number of Accounts not presented	Accounts for preceding years not presented
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(i) Appropriation Accounts	26	25	01	--
(ii) Revenue Accounts	01	01	--	--
(iii) Advances to Provincial Council Officers Accounts	90	81	09	--
(iv) Commercial Advance Accounts	11	05	06	--
(v) Fund Accounts	06	05	01	01
(vi) Statutes Accounts	05	03	02	--
(vii) Statements of Assets and Liabilities	01	01	--	--
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Total	140	121	19	01
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1:1:2 Opinion

In my opinion, except for the effects of the matters described in paragraph 1.2 of this report, the financial statements given a true and fair view of the financial position of the Southern Provincial Council Fund Account as at 31 December 2011 and its financial performance for the year then ended the accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Unreconciled Control Accounts

The balances of 08 items of account according to the Fund Account totalled Rs.162,560,662 whereas according to the subsidiary records, the balances totalled Rs.167,674,881.

1:2:2 Bank Reconciliations

The following deficiencies were observed.

- (a) The deposits of 05 institutions, remaining without being realized for more than 06 months amounted to Rs.5,011,831 and follow up action had not been taken thereon by making enquires from the Banks.
- (b) The unidentified debits of 05 Bank Accounts amounted to Rs.2,802,225.

1:2:3 Accounts Payable

The value of balances of accounts payable older than one year amounted to Rs.2,543,543.

1:2:4 Imprest Accounts

The unsettled imprest debit balances as at 31 December 2011 amounted to Rs.23,948,319.

1:2:5 General Deposit Accounts

The general deposits older than 02 years as at 31 December 2011 on which action that could be taken in terms of provisions of Financial Regulation 571 had not been taken, amounted to Rs.37,272,209.

1:2:6 Lack of Evidence for Audit

The following deficiencies were observed.

(a) Unanswered Audit Queries

Replies to 118 audit queries had not been furnished as at 31 December 2011 and the quantifiable value of 68 of those audit queries amounted to Rs.285,185,740.

(b) Non-submission of Information to Audit

Transactions totalling Rs.296,190,154 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

2. Financial and Operating Review

2:1 Financial Results

According to the Financial Statements presented, the deficit of the Provincial Council Fund for the year ended 31 December 2011 amounted to Rs.133,301,763 as compared with the corresponding deficit of Rs.319,770,185 for the preceding year.

2:2 Revenue and Expenditure

According to the financial statements presented, a summary of the revenue and expenditure for the year under review and the preceding is given below.

Particulars	2011				2010			
	Budgeted	Actual	Variance	Variance as a Percentage	Budgeted	Actual	Variance	Variance as a Percentage
	Rs.	Rs.	Rs.	%	Rs.	Rs.	Rs.	%
Revenue on Provincial Council Items								
Tax Revenue	958,760,000	3,704,705,988	2,745,945,988	286	2,680,000,000	2,532,157,291	(147,842,709)	(5.52)
Non-Tax Revenue	935,240,000	569,924,269	(365,315,731)	(39)	1,030,000,000	520,489,536	(509,510,464)	(49.46)
Government Grants	14,643,250,000	13,335,535,508	(1,307,714,492)	(9)	13,478,350,000	12,485,956,169	(992,393,831)	(7.36)
Other Grants	--	691,145,821	691,145,821	100	--	743,679,552	743,679,552	100
	16,537,250,000	18,301,311,586	1,764,061,586		17,188,350,000	16,282,282,548	906,067,452	
Recurrent Expenditure								
Personal Emoluments	13,346,614,545	12,658,911,497	687,703,048	95	10,879,794,000	8,196,595,492	2,683,198,508	24.66
Others	3,142,629,932	3,022,100,616	120,529,316	96	3,366,804,000	5,538,840,102	(2,172,036,102)	(64.51)
Sub - Total	16,489,244,477	15,681,012,113	808,232,364	95	14,246,598,000	13,735,435,594	511,162,406	3.58
Capital Expenditure	2,463,325,599	2,120,854,060	342,471,539	86	2,969,459,000	2,848,446,045	121,012,955	4.08
Grand Total	18,952,570,076	17,801,866,173	1,150,703,903	94	17,216,057,000	16,583,881,639	632,175,361	3.67

2:3 Revenue Administration

According to the accounts presented, the information on the arrears of revenue of each of the 03 preceding years is given below.

	As at 31 December			
	2011	2010	2009	Total
	Rs.	Rs.	Rs.	Rs.
Tax Revenue	379,214,474	148,695,113	122,870,002	650,779,589
Non-Tax Revenue	327,990,122	59,436,927	267,443,397	654,870,446
Total	707,204,596	208,132,040	390,313,399	1,305,650,035

2:4 Non-compliance with the Limits on Advance Accounts

The maximum limit of debit balance of the Advance Account Item No. 30801 had been exceeded by Rs.1,582,950 while the minimum limit on receipts of the Item No. 31801 had not been dropped by Rs.268,955 contrary to the Financial Regulation 503 of the Republic of Sri Lanka and Rule 369 of the Financial Rules of the Southern Provincial Council.

2:5 Working Losses

Five Commercial Advance Accounts had reported losses continuously in the past 04 years and action in terms of Rule 379 of the Financial Rules of the Southern Provincial Council had not been taken to cover those working losses. The Management had not paid attention to the economic and social justification for the maintenance of loss making Advance Accounts.

2:6 Human Resources Management

2:6:1 Approved and Actual Cadre

Information on the approved and the actual cadre of the Southern Provincial Council as at 31 December 2011 is given below.

(a) Provincial Council Ministries, Departments and Institutions

	Approved	Actual	Vacancies
	-----	-----	-----
Senior	1,335	1,186	149
Tertiary Level	1,887	1,881	06
Secondary Level	5,417	4,662	755
Primary Level	4,011	3,346	665
	-----	-----	-----
Total	12,650	11,075	1,575
	=====	=====	=====

(b) Schools Staff

	Approved	Actual	Vacancies
	-----	-----	-----
Principals	1,301	670	631
Teachers	23,904	22,543	1,361
Others	1,611	1,186	425
	-----	-----	-----
Total	26,816	24,399	2,417
	=====	=====	=====

- (i) There were shortages of 77 teachers for 13 subjects as at 31 December 2011 in 73 schools while there were excesses of 63 teachers for 14 subjects in 57 schools in the Tangalla Zone.

- (ii) According to the information on the schools in the Walasmulla Zone obtained as at 24 January 2012, the excesses of teachers in 43 schools had been 84 while the shortages of teachers in 13 schools had been 17.

2:7 Assets Management

2:7:1 Idle and Underutilised Physical Resources

It was observed during the course of audit test checks that assets had been either idle or underutilized.

Nature of the Asset	Number	Value	Period of Idling (Years)
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		Rs.	
(a) Lands	02	550,000	1-3
(b) Buildings	27	15,913,015	1-6
(c) Machinery	1,222	4,203,168	1-8
(d) Motor Vehicles	19	--	2-6
(e) Other Assets	43	195,000	1-3

2:7:2 Assets not Surveyed

Five Provincial Council Ministries and Departments had not conducted the Boards of Survey for the year under review in terms of Financial Regulation 756 and the Provincial Council Financial Rule 476.

2:7:3 Accounts Receivable

The value of the balances of accounts receivable as a 31 December 2011 amounted to Rs.87,894,938 and the balances of accounts older than 01 year totalled Rs.60,344,163.

2:7:4 Staff Loans Recoverable

The balances of staff loans and advances that remained recoverable as at 31 December 2011 totalled Rs.685,365,289 and the balances that remained outstanding for more than 01 year totalled Rs.70,142,733.

2:8 Motor Vehicles Utilization

The following matters were observed.

- (a) Out of the accidents caused to the Motor Vehicles of the Southern Provincial Department of Health Services in the three districts, the number of accidents on which final action had not been taken by 31 December 2011 amounted to 116. The following observations are made in that connection.
- Preliminary reports had not been furnished for 18 motor vehicles while final action had not been taken on 10 motor vehicles destroyed by the tsunami.
 - The losses caused to 28 motor vehicles had not been assessed. It was observed that the accidents had taken place more than 18 years ago.
- (b) Four motor vehicles of the Office of the Deputy Director of Health Services, Matara had been idling and no course of action whatsoever had been taken in that connection. An ambulance of that office had met with an accident on 11 April 2009 while another ambulance had met with an accident on 04 August 2010. Sums of Rs. 137,736 and Rs.133,045 respectively had been spent for carrying out repairs to those vehicles and action had not been taken to obtain insurance indemnity for that. The full reports in terms of Financial Regulation 104(4) had not been furnished in connection with the accidents to 02 double cab motor vehicles and an ambulance.
- (c) The assessed value of the accident caused to a motor vehicle of the Balapitiya Hospital on 18 July 2008 amounted to Rs.658,183. The loss caused by the accident could not be recovered as the motor vehicle had not been insured. That motor vehicle sent for repairs on 24 March 2011 had not been repaired and taken over even up to December 2011.

- (d) Two motor vehicles attached to the Office of the Chief Secretary had met with accidents in February and March 2010 and the value of the losses to the motor vehicles amounted to about Rs.1,426,900. The preliminary inquiries on the accidents to the 02 motor vehicles had not been conducted even by 31 December 2011. The preliminary and the final reports thereon in terms of the Provincial Council Financial Rule 54.4 had not been furnished to the Auditor General. Insurance indemnity of Rs.319,477 had been received in connection with one motor vehicle. Even though the insurer had called for the original bills of repairs carried out to the other motor vehicle on 23 June 2011 for the payment of insurance indemnity, the request had not been responded even by 31 December 2011. As such the total loss caused by the accident amounting to Rs.1,049,680 is observed as a loss to the Provincial Council Fund.
- (e) The officers who were responsible for obtaining the insurance indemnity for the motor vehicle of the Southern Provincial Road Development Authority which met with an accident on 14 September 1998 had not taken action within the specified period and as such it had not been possible to obtain the sum of Rs.300,000 assessed by the insurer as the full amount of indemnity. This motor vehicle had not been repaired and left garaged at the Mechanical Division, Udukawa over a period of 13 years up to the time of audit in October 2011.
- (f) (i) A double cab motor vehicle of the Office of the Deputy Chief Secretary (Planning) had met with accidents on 10 April 2009 and 11 April 2010 but the formal action had not been taken in that connection.
- (ii) Repairs to the motor vehicle covering both accidents had been carried out at a cost of Rs.1,652,000 by calling for quotations on 16 October 2011 and insurance indemnity had not been obtained for that.
- (g) Even though the Southern Provincial Ministry of Agriculture should take procurement action, by calling for sealed quotations from registered suppliers for supplies and services in terms of Southern Provincial Financial Rule 422.1(b), in carrying out repairs to a motor vehicle costing Rs.2,376,916 in five instances, the approval of the Procurement Committee had been obtained after carrying out repairs. Repairs had been carried out by an institution which had not been approved.

2:9 Identified Losses and Damage

Observations on losses and damage revealed during the course of audit test checks are given below.

- (a) The two storeyed building of the Neluwa Rural Hospital had been abandoned since the year 2008 as the boundary wall around had been damaged. The following matters were observed at the audit carried out in March 2012.
 - (i) Everything in the building including drugs and surgical equipment had been abandoned.
 - (ii) The quantity of validity expired drugs during the years 1999 to 2009 remaining therein was so large that it was not possible to verify them physically.
 - (iii) The drugs nearing the expiry of validity had not been disposed of by following the specified procedure.
 - (iv) Even though a Committee had been appointed by the time of audit, a formal procedure had not been prepared for the purpose.
 - (v) Part of the drugs had been hidden in an official house in the hospital premises.
 - (vi) A formal procedure for the handover and takeover of the inventory goods when officers are transferred had not been in operation for about ten years and the stock books had not been balanced over a number of years.
- (b) The physical verification of the stocks of drugs in the drug production Unit of the Beliatta Ayurvedic Hospital revealed a shortage of 133.855 kilogrammes of drugs and an excess of 17.97 kilogrammes of drugs. The value of the shortage amounted to about Rs.37,877. In addition, the financial loss caused to the Department of Ayurveda from the purchase of 6,007 kilogrammes of dry drugs at prices higher than the approved prices amounted to Rs.654,784. The Hospital authority had not taken any action whatsoever in that connection.

- (c) A Laboratory Engineer had confirmed that the culvert constructed on 25 July 2008 on the Hungama-Kalametiya Road of the Southern Provincial Road Development Authority had completely cracked due to the failure to construct according to the accepted standards and not placing in iron rods according to the standards. Nevertheless, action had not been taken even up to 31 December 2011 either to recover the financial loss caused to the Authority from the parties concerned or to take action against the relevant officers. A sum of Rs.2,551,998 had been paid to the contractor in this committee by 18 November 2009, the date of audit.
- (d) The cases filed against the Southern Provincial Road Development Authority by the officers without obtaining the formal approval in terms of Section 7.1 of Chapter xxxiii of the Establishments Code had been withdrawn subsequently by the officers. Action had not been taken to recover from the officers the sum of Rs.1,278,000 spent by the Authority as legal charges of the cases.
- (e) The tar sprayer purchased by the Southern Provincial Road Development Authority in the year 2006 at a cost of Rs.9,660,000 had not been used for any of the development projects of the Southern Province up to October 2011. Even though this machine had been given to the Western Provincial Council in two instances on hire basis and issued bills for Rs.2,489,401, a sum of Rs.914,465 only had been recovered out of that up to the date of audit on 17 October 2011. The Authority had spent a sum of Rs.4,082,401 up to October 2011 as the cost of repairs, insurance and depreciation and the loss caused from this machine to the Authority up to date amounted to Rs.3,167,936.
- (f) Even though a sum of Rs.499,780 had been received as the income from the “Bentha Trade Fair 2011 ” conducted by Industrial Development Authority, expenditure amounting to Rs.2,460,114 had been incurred. As such the Industrial Development Authority had incurred a loss of Rs.1,960,334.
- (g) According to the financial statements, the loss of the Poddala Carpentry Services Centre for the year 2011 amounted to Rs. 969,338 and the loss of the Meetiya goda Red Clay Products and Exhibition Centre amounted to Rs.204,598. An adequate Marketing Plan for the marketing promotion of the two centres was not available.

2:10 Apparent Fraudulent Transactions

The following observations are made.

- (a) A female teacher who had joined the Teachers' Service on 02 April 1979 as an Assistant Teacher of the District Service had altered her date of birth and remained fraudulently in the Teachers' Service for about two years and three months from 14 November 2005 to 12 February 2008 and obtained a sum of Rs.459,448 as salary.
- (b) A sum of Rs.65,298 received by Wakwella Training Centre in the year 2009 had been defrauded by the officer in charge of the Centre and no action in that connection had been taken up o 15 March 2012.
- (c) A teacher who was said to have served in H/Angunukolapellessa Junior School had been attached for the Health and Physical Education subject of the Matara/ Ginneliya Maha Vidyalaya of the Morawaka Zonal Office. A sum of Rs.297,120 had been paid to that teacher for the period June 2010 to September 2011 based on the fake letter of appointment and fake salary particulars. This loss had been caused due to the failure to get down the personal file for confirmation before making payment.
- (d) Even though the Zonal Director of Education, Walasmulla had been receiving indoor treatment for swine fever at the Karapitiya Hospital from 07 December 2009 to 14 December 2009 had marked 07,08 and 14 December 2009 in the Work Done Statement as on duly without obtaining sick leave. In addition, the sick leave application for 09, 10 and 11 December 2009 had been forwarded to the Southern Provincial Department of Education on 25 October 2010. The leave had not been approved by the authority concerned even by 28 March 2012, the date of audit.
- (e) The Zonal Director of Education, Walasmulla had obtained a sum of Rs.26,000 for 89 days stating that he had supervised the English Training Course held under Non-Formal Education Programme from 12 March 2010 to 19 December 2010. He had obtained a sum of Rs.19,314 as traveling expenses and holiday pay for 25 days for which he had obtained the above allowance stating that he had performed other duties.

2:11 Uneconomic Transactions

The following observations are made.

- (a) It had been decided in the year 2003 to modernize the Wattakgoda Ayurvedic Hospital and convert it to an indoor hospital. The construction of a tubewell for the supply of water had been decided as the first step thereof. The instructions of the National Water Supplies and Drainage Board had not been followed up correctly and as such the water of the well could not be used. The expenditure of Rs.427,413 incurred thereon had become fruitless.
- (b) Five kilometers of the Mamadala – Malpeththewa Road of the Office of the Tissa Regional Engineer had been modernized under the Probase Technology. The maintenance period of that had been from 10 January 2009 to 12 January 2012 and a sum of Rs.11,753,880 had been paid on this work by 27 October 2009. As the contractor had not maintained the road properly, all earth had been removed and contracts amounting to Rs.69,461,470 had been awarded on 01 November 2010 under 04 road networks for modernizing the road with ABC. In the circumstances, the total expenditure incurred on the construction of the road under the Probase Technology had become fruitless.
- (c) The following roads constructed by the Southern Provincial Road Development Authority in the year 2011 under the Provincial Specific Grants, had been suspended halfway without being completed. As such the expenditure of Rs.28,764,613 spent on the roads had been allowed to become fruitless.

Road	Value of Work Done	Date of Completion
-----	-----	-----
	Rs.	
Bamunugama – Bogaha Seeniwella Mula	15,133,574	07 November 2011
Wellethota – Kithalagama Road	3,333,117	14 February 2012
Kivula – Pingama Road	10,297,921	--

- (d) The expenditure amounting to Rs.1,503,500 incurred on the retaining wall of the Office of the Wellamadama Assistant Secretary of Industries of the Office of the Deputy Chief Secretary (Industries) had become a fruitless expenditure due to the failure to lay the concrete layer as estimated, depth of foundation not being at the estimated depth, non-use of cement and sand mixture up to the specifications and the cracks developed on the retaining wall.
- (e) (i) The estimate of Rs.7,368,281 prepared in the year 2007 for the modernization of the Kodagoda Dikkumbura Road had been estimated again in the year 2009 for a sum of Rs.6,762,540. As a result of the additional estimates approved from time to time and re-estimating and awarding parts of the road had resulted in the payment of Rs.11,877,189 on work done amounting to Rs.12,335,253. This represented an increase of 82 per cent of the value of the 2009 estimate.
- (ii) A sum of Rs.2,065,122 had been paid to the contractor on work done certification amounting to Rs.2,523,186 for the modernization of the kilometers 0+500-1+438 of the road. The entire road modernized had been destroyed as the second coating of tar had not been applied. In the circumstances the entire amount paid had become fruitless.
- (iii) The estimates for the modernization of this road had been prepared again by 21 October 2011 the date of audit by laying ABC and pre-mixing. In the circumstances, the entire amount spent for the modernization of 0+525-1+500 and 1+625-1+940 sections of the road under the Probase Technology and the total expenditure of Rs.11,877,189 referred to in the above paragraph had become fruitless expenditure.

2:12 Transactions not Supported by Adequate Authority

The Ministry of Co-operatives had credited a sum of Rs.1,210,492 on 08 November 2011 to the account of the Sri Lanka National Co-operative Board for the participation of 03 officers at Annual Conference of the International Co-operative Organization held Mexico City from 11 to 25 November 2011. Even though a sum of Rs.403,497 had been spent on the participation of officers not connected with the Ministry of Co-operatives, a reimbursement of that amount had not been obtained.

2:13 Irregular Transactions

The following observations are made.

- (a) (i) Two drivers recruited to Grade 10 on the supernumerary basis by the Southern Provincial Road Development Authority on 01 and 15 December 2010 had been attached to the staff of the Minister in charge of the subject from the date of recruitment and their salaries had been paid by the Southern Provincial Road Development Authority. Even though the Authority had paid a sum of Rs.448,854 as their salaries by 30 November 2011, they had not performed any duties to the Authority. Reimbursement of the money had not been obtained from the Head of the relevant Ministry.
- (ii) A labourer recruited on the checkroll basis on 02 December 2010 had been attached to the staff of the Minister in charge of the subject and the Authority had paid a sum of Rs.214,705 as his salary up to 31 December 2011. The salary of this employee recruited in addition to the staff of the relevant Minister had not been obtained as a reimbursement from the Ministry.
- (b) Three motor vehicles of the Southern Provincial Road Development Authority had been deployed to the Minister in charge of the subject and the Provincial Road Project in the year 2011 without being used by the Authority. The Authority had spent a sum of Rs.1,341,861 as the expenditure on repairs and maintenance of those motor vehicles.
- (c) Even though the letters of the Commissioner of Elections dated 08 December 2009 and 13 February 2010 had instructed that Government resources should not be irregularly used for election purposes, the Minister of the Southern Province Ministry of Agriculture had used 5,350 litres of diesel and 380 litres of petrol exceeding the approved limit on fuel during the year 2010 for election activities and the approximate value of those amounted to Rs.165,160.
- (d) The provisions of the Procurement Guidelines had not been followed in the purchase of three kinds of fishing nets under the Provincial Specific Development Grants at a cost of Rs.967,253 on 20 December 2011.

2:14 Operating Inefficiencies

The following observations are made.

(a) Statement of Assets and Liabilities

- (i) The sum of Rs.5,614,079 shown under the current assets in the Statement of Assets and Liabilities as at 31 December 2011 as a loan granted to the Southern Development Authority represents a balance existing over a number of years and action had not been taken up to date for the recovery of that amount.
 - (ii) The balances amounting to Rs.2,667,947 shown in the statement of Assets and Liabilities as at 31 December 2011 were observed as balances remaining without being settled over a number of years.
 - (iii) It was observed that the Southern Provincial Council Fund is gradually decreasing due to the deficits reported continuously from the year 2009. The balance of the Provincial Council Fund amounting to Rs.829,911,570 as at 01 January 2009 had decreased by 70 per cent to Rs.249,484,108 by 31 December 2011.
- (b) Action had not been taken up to date for the transfer of the lands on which the Ayurveda Central Dispensaries, Nevungala and Pitigala are situated in the name of the Department of Ayurvedha.
- (c) The sum of Rs.611,902 payable to the Employees' Provident Fund for 02 years in respect of 15 casual employees of the Southern Provincial Department of Ayurvedha and the 12 per cent payable by the employer had not been remitted to the Fund.
- (d) A sum of Rs.587,117 receivable by the Southern Provincial Road Development Authority for the period May to September 2010 for the supply of its machinery for the Development of the Dry Zone Botanic Garden of the Department of National Botanic Gardens, had not been received up to December 2011.

- (e) Even though a sum of Rs.52,500,000 had been allocated to the Office of the Chief Secretary in the year 2010 for the purchase of motor vehicles, a sum of Rs.2,824,050 only had been utilized for the purchase of motor vehicles up to the end of the year under review. The balances sum of Rs.49,675,950 had been retained in the General Deposit Account up to July 2011.
- (f) Even though the Land with an extent about 3 ½ acres on which the Wakwella Management Training Centre of the Office of the Chief Secretary is situated is not belonging to the Chief Secretary, all the expenditure thereon including the construction of buildings from the inception had been incurred from the Head of Expenditure of the Chief Secretary.
- (g) An agreement valued at Rs.364,650 had been entered into with the Lunama North Rural Development Society under the criteria based grants in the year 2010 for the reconstruction of the internal access road of the Lunama Ranaviru Village and an advance of Rs.264,632 had been paid to the contractor society. A physical verification of the work revealed that the gravel spread over a distance of about one kilometer was muddy and not conforming to the standards.
- (h) As permanent buildings are not available for the maintenance of the Offices of the Southern Provincial Director of Irrigation, Office of the District Irrigation Engineer, Galle and the Office of the District Irrigation Engineer, Matara, a sum of Rs.996,000 had been paid to the private sector as the rent of buildings for the year 2011 alone.
- (i) Even though a sum of Rs.497,982 had been paid in the year 2011 out of the provision allocated for the Zonal Education Office, Tanglla to two teachers attached to other institutions, action had not been taken to obtain reimbursement of salaries paid.
- (j) Even though a greater attention should have been paid for providing security of more than 50 girls housed daily in the Kithalampitya Senehasa Children's Home, an examination of the duty roster revealed that two female labourers only had been deployed for certain duty turns. Thirteen girls had run away from the Children's Home in the year 2011. There were instances of the run away of children hospitalized for sickness due to the absence of employees to be retained with them for their protection. In addition, the former Matron who had been transferred to the Halpathota Detention Home after a disciplinary inquiry continued to remain in the official quarters by force and as such it appears that the services of the Matron deployed at present are not available in the nights.

- (k) Even though Certified School at Hikkaduwa has Carpentry, Electrical, Metal and Masonry Divisions, it was observed that only the Carpentry and Electrical Divisions are in operation at present. The Masonry Division is not in operation while the Metal Division is not in operation from the year 2007. It was observed that adequate raw materials are not received for the improvement of the trade skills of the children trained in the Carpentry Division.
- (l) Out of the 10 sales stalls of the Folk Arts Centre at Bentota run by the Southern Provincial Industrial Development Authority, 07 sales stalls had been closed down, thus depriving of a sum of Rs.1,115,400 to the Authority. Due to the delay in leasing out 04 sales stalls for the year 2011 the Authority had been deprived of lease rent income amounting to Rs.178,200. The agreements entered into with the lessees by the Authority did not contain any provisions for action to be taken for the delay in the payment of lease rent. Even though the lessees delayed the payment of lease rent the Authority could not taken any action in that connection.
- (m) Action had not been taken up to 14 May 2012 for the distribution of 902 units of sports goods of 59 categories handed over by the former officer in charge of the stores to the present officer in charge of the sports goods purchased from the Sports Fund as well as 369 units of sports goods of 10 categories purchased for Rs.257,171 in the year under review.
- (n) According to Section 24 of the Sports Statute No. 1 of 1990 of the Southern Provincial Council the objectives of the Sports Fund are encouraging sports competitions of the Southern Provincial and developing them. Members provisions amounting to Rs.7,554,232 had been received for the achievement of these objectives and out of that 37 per cent had been spent for providing assistance to those who participated in foreign sports competitions and providing assistance to Sports Clubs.
- (o) A sum of Rs.549,945 received in the year 2011 by the Office of the Provincial Director of Health Services for conduct of Health Programmes had been returned as the Programmes had not been conducted in the relevant year.

2:15 Assets Management

Out of the money received by the Revolving Fund for Eradication of Poverty in the Southern Province of the Southern Provincial Council, a sum of Rs.73,040,113 had been returned to the Chief Secretary without being used for the purpose. This money had been invested in fixed deposits and together with the interest thereon, the total sum as at 31 December 2011 amounted to Rs.86,632,387. Action had not been taken to invest the money in a useful project.

2:16 Performance

The following observations are made.

- (i) An examination of the Southern Provincial Development Plan – Criteria Based Projects for the past 07 years (2005 – 2011) revealed that out of the sum of Rs.846,405,325 released for new projects a sum of Rs.520,485,023 or 61 per cent and out of a sum of Rs.20,148,721 released for continuation works, a sum of Rs.16,330,840 or 81 per cent had been spent.
- (ii) Out of the 8,357 new projects approved during the 07 years the work on 2,420 projects and out of the 296 approved continuation projects the work on 39 projects had not been commenced even up to 31 December of the respective years.
- (iii) Out of the 8,357 new projects approved during that period, the work on 2,300 projects and out of the 4,499 continuation projects, the work on 19 projects had not been completed by 31 December.
- (iv) Out of the loans granted from the Southern Provincial Revolving Fund for Eradication of Poverty about 20 years ago, a sum of Rs.38,126,464 with repayment period of 03 years had not been recovered up to date.
- (v) The number of schools with less than 50 students as at 31 December 2011 in the Zonal Education Offices, Tangalle, Walasmulla and Hambantota had been 13, 10 and 10 respectively.

2:16:1 Government Grants

The particulars of provisions granted for the Provincial Council Development Works Proposals and the expenditure incurred are given below.

Source	Provision	Expenditure	
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	Rs.	Rs.	
Criteria Based Grants	292,000,000	691,650,457	} Savings of preceding years had been spent
Provincial Specific Development Grants	1,207,500,000	1,264,289,000	
Collective Grants	11,759,940,000	14,402,060,964	
Other Grants	145,171,685	187,346,726	

2.16.2 Provincial Development Plan

Approval had been granted for 4,874 new works and continuation work valued at a Rs.1,644,671,088 under the Provincial Development Plan for the year under review. The progress of the work proposals according to the Progress Reports of the Provincial Council is given in the following table.

	New Works	Continuation Works	Total Number of Work Proposals
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(a) Fully completed	3,566	245	3,811
(b) Completed less than 50 per cent	897	24	921
(c) Not commenced	411	05	416
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Total	4,874	274	5,148
	=====	=====	=====

2:17 Contract Administration

The following observations are made.

2:17:1 A sum of Rs.6,800,000 had allocated under the World Bank Aid for the construction of the operating theatre of the District Hospital at Udugama and the work should have been commenced on 08 July 2010 and completed on 06 November 2010. The following observations are made in this connection.

- (a) The work on the construction had been completed after a delay of one year on 26 July 2011.
- (b) According to the bill dated 31 December 2010 the value of work done amounted to Rs.5,468,843 and according to the report submitted for approval in December 2010 by the District Engineer, Galle, the value of work done amounted to Rs.6,533,367. Out of that, the value of additional and external work according to the bill amounted to Rs.1,939,147 and according to the letter submitted by the District Engineer for approval, the value of additional and external work amounted to Rs.2,606,446.
- (c) The estimate had been revised from time to time and as such the estimate of Rs.6,031,000 had increased by 20 per cent to Rs.7,286,074.
- (d) A physical verification of the operating theatre revealed defects such as cracked walls, 07 cracked walltiles, warped doors making it impossible to operate the air-conditioning system, 6x3 iron beams installed instead of 6x4 beams specified under item F-2, poor cement rendering of the ridge of roof and the ridge being covered with polythene sheets to prevent rain water leakage.
- (e) The make up of the sum of Rs.145,710 being the value of 63 amperes distribution board installed under the extra work item No. EX-4 was not clear.

2:17:2 The widening of the Arishta Section building of the Drugs Production Unit of the Ayurvedic Hospital, Beliatta had been awarded to a construction company for a sum of Rs.1,183,883. Even though the contractor had cemented the floors, the cementing had been done again due to cracks developed in the original cementing. The physical verification of the second cementing carried out on 17 November 2011 revealed cracks developed on the floor.

2:17:3 An agreement had been entered into for a sum of Rs.549,481 for the modernization of section 3+375-3+441 kilometres of the Nihiluwa-Okewela Road of the Office of the Regional Engineer, Tangalla. The work should have been commenced on 01 November 2010 and completed on 28 February 2011. A physical inspection of the road carried out on 09 December 2011 revealed the road had not been constructed according to the thickness of the plan. Accordingly, an overpayment of Rs.32,487 made to the contractor and long term durability of the road was doubtful due to the failure to carry out the work according to the standards.

- 2:17:4 (i) The contract for the modernization of 05 kilometres of the Kathaluwa – Tittagolla Road of the Southern Provincial Road Development Authority from 0+000-5+000 had been awarded for Rs.7,118,474 on a work estimate of Rs.8,152,626. The dates of commencement and completion of the work had been 24 September 2009 and 22 January 2010 respectively. Even though the agreement should have been signed before 24 September 2009 it had been signed on 22 December 2009. The contract period had been extended in 8 instances up to 02 November 2010. The work completion certificate had not been issued up to 21 October 2011, the date of audit.
- (ii) Plans had been made for the strengthening of the weak points of the road base and payments had been made as planned. As the work had not been completed as planned, it was not possible to be satisfied with regard to the payment of Rs.1,685,248 made to the contractor.
- (iii) According to Section 5.4.8 of the Government Procurement Guidelines, a Performance Guarantee valued at 5 per cent of the contract value should be obtained. A Performance Guarantee of 3 per cent of the value of the contract had been obtained in this connection.

3. Systems and Controls

The deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chief Secretary of the Provincial Council and the relevant Heads of Institutions from time to time. Special attention is drawn to the following areas of system and controls.

- (a) Accounting
- (b) Establishment Matters
- (c) Revenue Administration
- (d) Resources Utilisation
- (e) Contract Administration
- (f) Assets Management