

Southern Provincial Council – 2014

The audit of financial statements of the Southern Provincial Council for the year ended 31 December 2014, comprising the statement of financial Position as at 31 December 2014 and statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23(1) of the Provincial Councils Act, No. 42 of 1987. This report is issued in terms of Section 23(2) of the Provincial Councils Act.

1:2 Management’s Responsibility for the Financial Statements

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

1:3 Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Provincial Council’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

1:4 Basis for Qualified Opinion

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

2. Financial Statements

2:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 2:2 of this report, the financial statements give a true and fair view of the financial position of the Southern Provincial Council as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Provincial Council Fund

The Provincial Council Fund Account for the year under review had been presented to audit on 15 April 2015. The Provincial Council accumulated fund as at 31 December 2014 and as at 31 December 2013 amounted to Rs.742,171,657 and Rs.26,759,195 respectively. The Provincial Council Fund had improved by Rs.715,412,462 in the year 2014 as compared with the year 2013.

2.2.2 Other Accounts

The progress of presentation of other accounts of the Provincial Council relating to the year under review, as at 31 March 2015 is given below.

	Total Number of Accounts	Number of Accounts Presented	Number of Accounts not Presented
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(i) Appropriation Accounts	26	20	06
(ii) Revenue Accounts	01	01	-
(iii) Advances to Provincial Public Officers Accounts	92	72	20
(iv) Commercial Advance Accounts	11	02	09
(v) Fund Accounts	06	03	03
(vi) Statute Accounts	05	-	05
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Total	141	98	43
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2.2.3 Accounting Deficiencies

The following matters were observed.

- (a) According to the statement of financial performance for the year under review, the surplus for the year amounted to Rs.741,086,680 but it had been shown in the statement of financial position as Rs.715,412,462, this indicating a difference of Rs.25,674,218.
- (b) According to the fund account, the opening balance of fixed deposits shown under short terms investments amounted to Rs.102,528,712 but the balance as per the general ledger it was Rs.103,142,305. Accordingly, a difference of Rs.613,593 was observed between the fund account and the ledger.
- (c) **Ministry of Fisheries, cultural, food supplies and distributions, Trade and Co-operative Development.**

- (i) A sum of Rs.100,000 had been paid to the Divisional Secretariat, Baddegama on 22 December 2014 on an estimate for Planting and Maintenance of 1,500 Kumbuk Plants under the Ginganga Bank Conservation Project. Eventhough

this was an advance, it had been debited to expenditure Object No. 311-03-02-2005 (02) as a final payment.

- (ii) A sum of Rs.3,728,000 paid to the Deputy Chief Secretary (Engineering Services) on 29 October 2014 for a drinking water project, related to the Thalpathkanda Water Sprin by the Ministry had been debited to expenditure Object No. 311-03-02-2005 (2) without accounting as an advance.

(d) Department of Education

Out of the loan balances of Rs.1,021,396 relating to 79 teachers who had come on transfer from 1995 to 2007, the schedule of 75 creditors valued at Rs.972,739 had been presented along with the financial statements but those balances had been omitted from the financial statements.

2.2.4 Accounts receivable and payable

The following observations are made.

- (a) The valued of receivable and payable accounts relating to 3 institutions remained for more than 2 years amounted to Rs.23,308,988 and Rs.909,125 respectively.
- (b) A sum of Rs.20,202,209, comprising an unsettled amount of Rs.8,584,507, out of an advance given to a nurseryman by the new variety tea plant nursery project implemented by the Southern Province Development Authority and the interest of Rs.5,687,260 thereon, including departmental charges of Rs.5,930,442 was due by the beginning of the year 2014. The Authority had not taken action to recover same and a land to the extent of 01 Acre and 25 purchase, belonged to him had been acquired at Rs.7,026,250 without any approval. This land had been transferred on 02 December 1998 and on 25 February 2001 for Rs.17,500 and Rs.50,000 respectively and the nurseryman had purchased this land for Rs.300,000 on 24 March 2009 and sold for Rs.350,000 on 03 March 2013. Without vesting this land in the name of the Authority by paying a sum of Rs.600,000 to the buyer on 24 October 2014, action had been taken to vest this land to the nurseryman. After 19 days of this transaction this land had been acquired by the Authority without a valuation report from the Government Valuer but on a valuation of Rs.7,076,250 of the Southern Province Commissioner of Revenue. It was further observed in audit that the Authority had paid a sum of Rs.7,676,250 for this land.

2.2.5 Lack of evidence for audit

The following observations are made.

- (a) Evidence for transactions totalling Rs.37,907,116 relating to 5 institutions was not made available for audit.
- (b) **Southern Provincial Road Development Authority**

 - (i) Information requested in respect of the following events by Letter No.SN/GL/B/SPRDA /නොරතුරු/2014/01 (ii) dated 02 January 2015 was not made available for audit.
 - Accident caused to Motor Cab No. 52-8688.
 - Shortage of material stock at Aluthwewa Yard.

- Change of times in the computer, connected with the finger print machine.
 - Opening of office for overtime work on Saturday, 18 September 2010.
 - Misplace of 3 asphalt barrels at Weligama Regional Engineers Office premises.
 - Overpayment made in the construction of side bund and the causeway on the first Km. of Weligatta – Bundala road.
- (ii) Information regarding the payment of VAT collected during the year 2014 and the vehicle utilisation requested by Letters No.SN/GL/B/ද.ප.මා.සං.අ/කොරතුරු/2014/01 (iv) and (vi) dated 31 March 2015 was not presented to audit.
- (iii) Full information in respect of staff requested by Letter No.SN/GL/B/ද.ප.මා.සං.අ/ කොරතුරු/2014/01 (v) dated 05 June 2015 was not presented to audit.
- (c) Sufficient and appropriate evidence to ensure the knowledge and experience of 3 members nominated by the Minister to the Board Directors in terms of Section 9(3) of the Ruhuna Tourist Bureau Statute No. 01 of 2000 of the Southern Provincial Council was not made available for audit.
- (d) Six school belonging to the Matara Zonal Education Office had been closed by 11 February 2015, the date of audit. The approval thereon and the particulars of handing over of goods were not made available for audit.

2.2.6 Non-compliance with Laws, Rules, Regulation and Management Decisions

The following Non-compliance with Laws, Rules, Regulation and Management Decisions were observed in audit.

Reference to Laws, Rules and Regulations	Value	Non-compliance
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	Rs.	
(a) Southern Province Rural Development Statute No.01 of 1996 ----- Section 17		A report on the Administration of the Fund the Auditor General's report, along with the audited accounts for each calendar year should be tabled in the Provincial Council. Nevertheless Accounts of the Fund had not been presented to audit.
(b) Section 9 (i) of Part II of the Ruhuna Tourist Bureau Statute No.01 of 2000. -----	-	Two ex-officio members and one nominated member had not been appointed to the Board of Directors.

(c) Establishments Code of the Democratic Socialist Republic of Sri Lanka

(i)	Section 13.3 of Chapter ii	-	Eventhough 10 years had elapsed after the Ruhuna Tourist Bureau had been established, a scheme of recruitment had not been formulated and as such the Managing Director Post had been continuously filed on acting basis.
(ii)	Section 5.1 of Chapter iv	-	Seventeen employees recruited to the Ruhuna Tourist Bureau since the year 2007, had not been confirmed in their service.
(iii)	Section 12.7 of Chapter vii and Public Administration Circular No. 13/2008 dated 28 June 2008.	23,540	An officer in an acting post, the approval of the Chief Secretary should be obtained to get the fuel allowances entitled for the acting post, a fuel allowances of Rs.23,540 had been paid to the officer who had been acting for the Post of Sothern Provincial Land Commissioner without obtaining the necessary approved.
(iv)	Section 6.1 of Chapter xix	-	Except for a house allocated to a specific post , the lease period for all other houses should be 5 years. Audit test check revealed that an officer in the Department of Probation and Child Care Services has been residing in the official quarters for more than 5 years.
(v)	Sections 4.4, 4.5 and 4.6 of Chapter xxiv	-	Action had not been taken to recover loan balances due from decreased vacated and interdicted officers Outstanding loan balances not so recovered in the 18 institutions within the Southern Provincial Council amounted to Rs.7,660,877.

(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

(i)	Financial Regulation 371	420,000	Action had not been taken to settle a sum of Rs.20,000 in the general account of the Southern Provincial Development Authority as at 31 December 2014 and advances of Rs.400,000 in the Councilors Provision account.

(ii)	Financial 396 (d)	Regulation	1,879,500	Action had not been taken to bring the value of 3 cheques amounting to Rs.27,750 elapsed for more than 6 months relating to the 3 bank accounts of the Southern Provincial Development Authority to revenue. Further, the value of 285 cheques totalling Rs.1,851,750 lapsed for more than 6 months had been credited to the deposit account on 31 December 2014 as per the Accountant's instructions. No action whatsoever had been taken in respect of those cheques even by 21 July 2015.
(iii)	Financial 485(4)	Regulation	-	When an officer is transferred from one Department to another Department, his loan balance should be paid to the previous Department by the new Department. Action had not been taken to so settle debtors and creditors balances totalling Rs.156,674,767 in 20 institutions within the Southern Province.
(iv)	Financial 571	Regulation	-	Eventhough the deposits older than 2 years should be taken into revenue, action had not been taken accordingly, in respect of deposits totalling Rs.82,060,143 in 6 institutions within the Southern Province, older than 2 years.
(v)	Financial 1646	Regulation	-	Eventhough the originals of monthly running charts should be sent to the Auditor General before 15 th day of the month following, daily running charts for 96 months of the year 2014 relating to 8 motor vehicles belonged to the Southern Provincial Ministry of Education, Land had not been presented to the Auditor General.
(vi)	Financial 1647 (b)	Regulation		Eventhough motor vehicles should be physically verified annually, the Southern Provincial Department of Education had not complied with that.

(e) **Financial Rules of the Southern Provincial Council**

 Financial Rules 54.4, 54.5, 54.6

- Eventhough the Preliminary reports and the final reports in respect of vehicle accidents should be presented to the Auditor General, action had not been taken accordingly, in respect of 22 accidents caused to 20 motor vehicles belonging to the 6 institutions within the Southern Province.
- Action had not been taken to recover or write off the losses valued at Rs.18,388,006 relating to 124 losses shown in the Appropriation Account of the Southern Province Department of Education for the year 2014, hearing being completed the inquiries.
- (ii) Financial Rule 113 (1) and (3) - Although an official receipt should be issued for all cash receipts, action had not been taken accordingly in the following instances.
 - Cash receipts for a sum of Rs.6,000 recovered from 10 students in the primary section of a Maha Vidyalaya in Matara District had not been issued and it had not been taken to revenue as well.
 - Receipts for Rs.90,000 obtained as donations and for Rs.150,000 obtained for electricity in entering 150 students for the year 6 in the year 2014 at a Central College in Matara District had not been issued.
- (iii) Financial Rule 169 (1) and 177 143,375 Although every voucher should be properly certified before the payment is made payment had been made for six vouchers valued at Rs.143,375 in a girls school in Galle District without certifying the payment.
- (iv) Financial Rule 261.2.1 82,591 When a petty cash imprest is required more than Rs.10,000, the approval of the Provincial Treasury should be obtained. Without doing so, payments had been made for various bills totalling Rs.82,591 from personal money and it had been re-imbursed from the petty cash imprest of the Southern Province Chief Secretary's Office.

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| (v) | Financial Rule 261.2.7 | | Ad-hoc sub imprest totalling Rs.127,800 given to six officers in the Zonal Education Office, Matara in the year 2014 had been settled after delays of 1 ½ months to 5 months. |
| (vi) | Financial Rule 276 | 492,000 | Although the written cheques should be handed over to the payees, 10 cheques valued at Rs.492,000 written on 31.12.2014 for various payments by the Divisional Secretariat, Hambantota had remained in hand up to the date of audit on 10 February 2015 without being handed over to the relevant payees. |
| (vii) | Financial Rule 471.1 | 415,625 | A sum of Rs.415,625 had been paid on 26 May 2015 for the purchase of 475 Dictionaries to be distributed among the winners of “ Dakshina Jeevanee” contest by the Southern Province Chief Ministry, but they had not been posted to the inventory register. |

(f) Circulars of the Presidential Secretariats

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| (i) | Circular No.CSA/P/1/40 dated 28 February 2007 | - | <p>Evenhough it was stated that “Government Institutions should not select Hotels to hold their meetings, seminars, workshop etc.” and the hotel charges payable for foods and lodging should not be settled from the government money, in local tour action had been taken, contrary to that provisions in the following instances.</p> <ul style="list-style-type: none"> - A sum of Rs.597,295 for 3 workshops conducted by the Southern Province Department of Local Governments and a transport charges of Rs.110,904 had been paid. - A sum of Rs.351,450 for a private reception hall for conducting workshop on the implementation of a Chief Ministry’s Development Plan and a sum of Rs.95,000 for the reception hall reserved for conducting training program on Cornery had been paid. |
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			-	A sum of Rs.654,500 had been paid to a hotel for the awareness program of 2015 budget conducted by the Southern Province Chief Secretariat.
(ii)	Circular No.PCMD/1/4/23/4/4 dated 19 December 2011		-	In addition to the approved supporting staff of the Southern Province Chief Minister, 01 Administrative Post, 10 Government Management Assistants Posts, 06 Drivers Posts and 2 KKS Posts had been maintained.
(g)	Finance Commission Circular No.FC/PR@P/GL/2013 dated 01 March 2013 and No.FL/4/2014 dated 21 April 2014 -----	120,332		Eventhough the resource persons allowance should not be paid to those who are responsible for each subject in conducting training programs, contrary to that, resource person allowance of Rs.120,332 had been paid in the year 2014 by the Southern Province Education Department.
(h)	Election Commissioner's Circular No.PCE/2014/03 dated 16 February 2014 -----		-	In terms of this circular, up to the release of Southern Provincial Council election results, employees should not be recruited since 16 January 2014. Nevertheless, 10 employees on 16 January 2014 and one employee on 31 January 2014 had been recruited by the Southern Provincial Road Development Authority.
(i)	Treasury Circulars -----			
(i)	Treasury Circular No.842 of 19 December 1978, Public Finance Circular No.359 of 04 August 1998 and Southern Province Financial Rule 560 and 561		-	Although a register of fixed assets should be maintained including all assets in the institute, a register of fixed assets had not been maintained by 11 institutions of the Southern Provincial Councils as required.
(ii)	Public Finance Circular No.PF/PE/5 of 01 January 2000, Management Services Circular No.39 of 26 May 2009, Circular No.PCMD/1/4/23/1/14 dated 20 August 2012 of the Secretary to the President.	9,856,154		Any allowance can not be paid without the approval of the National Salaries and Cadre Commission and the Department of Management Services. Nevertheless, a monthly interim allowance of Rs.2,500 had been paid to each permanent officer of the Southern Provincial Road Development Authority since September 2013 without a formal approval. A sum of Rs.9,856,154 had been so paid during the period from September 2013 to December 2014 out of which a sum of

Rs.7,477,328 had been paid for the year 2014.

(iii) Circular No.1A1/2002/02 -
dated 28 November 2002

A register of assets should be maintained in respect of computers and computer accessories, but such a register had not been maintained by the following institutions.

- Southern Provincial Department of Education.
- Corporative Employees Commission
- Southern Provincial Ministry of Agriculture, Irrigation, Agrarian Development, Animal Products and Development and Environment.
- Deputy Chief Secretary (Engineering Services)
- Deputy Chief Secretary (Planning and Operations)
- Southern Province Development Authority.
- Southern Province Road Development Authority.

(iv) Public Enterprises Circular 21,046,755
No.25 dated 29 July 2004,
25(i) dated 10 August 25
(ii) dated 13 August and
25(iii) dated 30 November.

When the money of Public Enterprises is invested, the Treasury approval should be obtained and all investments should be made in State Banks. Nevertheless, a sum of Rs.21,046,755 had been invested by the Southern Province Development Authority as at 31 December without proper authority, out of which a sum of Rs.10,285,901 had been invested in Private Banks.

(v) Public Enterprises Circular
No.PED/54 of 19 January
2010

Although the financial statements of all Public Enterprises should be prepared in accordance with Sri Lanka Public Sector Accounting Standards since 01 January 2011, those standards had not been complied with by the Social Services Fund.

(j) Public Administration Circulars

(i) Circulars No.289 of 10 -
May 1985 and No.26/92 of
19 August 1992

Eventhough the government emblem should be stenciled in all government vehicles except assigned vehicles, it was observed that the government emblem

			had not been stenciled on 13 motor vehicles belonging to 06 institutions within the Southern Provincial Council.
(ii)	Paragraph 2.11 of the Circular No.41/90 dated 10 October 1990	-	Eventhough once in 6 months fuel consumption of government vehicles should be tested, the fuel consumption of 58 motor vehicles belonging to 14 institutions within the Southern Province had not been tested as specified.
(iii)	Public Administration Circular No.41/90 of 10 October 1990 and Circular (Finance) No.13/2006 of 12 December 2006 of the Chief Secretary (Finance)	-	Technical reports in respect motor vehicle repairs should be obtained only from the officers specified in the Circulars. Contrary to that a sum of Rs.65,354 had been paid for the repair of motor cab on 07 August 2014, based on the report obtained from the Motor Mechanical Instructor of the Beliatta Vocational Training Institute.
(iv)	Circular No.09/2007 dated 11 May 2007	-	In terms of the Circular, Pensioners should be re-employed only when a suitable successor could not be found. However, despite there were 59 officers in Management Assistants grade as at 31 December 2013 in the Southern Provincial Road Development Authority, a retired female officer in the Management Assistants grade had been re-employed on a contract basis to the Post of Chairman's Secretary which was not an approved post. A sum of Rs.150,000 had been paid to this officer up to June 2014 at a monthly allowance of Rs.25,000 each.
(v)	Paragraph 11.5 of Circular No.08/2008 of 31 March 2008	4,353,814	The difference between the interest rate charged by banks for property loans and the interest rate of 4 per cent recovered from the officer should be borne by the government. Nevertheless, Interest of Rs.4,353,814 incurred from the Local Authorities Funds had not been reimbursed to the relevant Local Authorities up to 01 June 2015.
(k)	Pensions Circular No.4/2010 of 25 May 2010. -----		Non- Public Officers who served in the staff of the Southern Provincial Councilors did not contribute to the Public Service Provident Fund. They had not formally obtained the membership of Employees Provident Fund or

Employees Trust Fund. However, contributions of those funds had been recovered from them along with the employers contributions and transferred to the General Deposit Account. A sum of Rs.12,639,444 so transferred had remained in the general deposit account as at 31 December 2014. In remitting contributions of members who obtained memberships with delays a time of Rs.100,845 had to be paid. As the relevant employees had not provided necessary information for obtaining membership, obtaining membership had delayed. As such these fine should have been recovered from them but those fines had been paid by using the contributions transferred to the general deposit account.

(l) Circulars of the Ministry of Education

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| (i) | Paragraph 1.9 of 2003/38 dated 07 November 2003 | - | Teaching staff should be balanced in a manner that there would not be shortage of teachers in any school. Nevertheless, there were 45 teachers vacancies and 63 excesses in the schools of Matara Zone. |
| (ii) | Circular No.07/2013 of 28 November 2013 | - | Although the school development committee should meet monthly, the school development committee of a Maha Vidyalaya in Galle District had not met during the year 2014 and up to May 2015. |
| | | - | Eventhough purhcases should be carried out by calling for formal quotations, goods valued at Rs.86,887 had been purchased for the construction of 2 toilets in a Junior School in Matara District without calling for quotations. |

(m) Chief Secretary's Circulars

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| (i) | Circular No.01/2014 of 24 January 2014 | - | Action had not been taken to keep security deposit by 8 officers in the Ruhunu Tourist Bureau by whom security deposits to be kept. |
| (ii) | Finance Circular No.04/2014 of 15 October 2014 and Southern Provincial Council | - | Although the Board of Survey should be conducted before 15 of the year following and its reports should be submitted to the Auditor General, Board |

(n) **Land Commissioner's Circular No.04/10 of 01 August 1996 issued on the recovery of taxes** -

of Surveys for the year 2014 had not been conducted by 8 institutions within the Southern Province and reported to the Auditor General for the year 2014.

Tax Control Account and the outstanding Control Account had not been prepared in terms of the circular.

(o) **Procurement Guidelines**

(i) 2.5.1 (c) -

Publication of procurement notices, issue of bid documents, closing of bids, bid opening and the determination of dates are the duties and functions of the Procurement Committee. Nevertheless all procurement procedures in respect of procurement of vehicle repairs valued at Rs.6,889,057 carried out during the year 2014 and the purchase of file bags and food sample kit required by District Public Health Officers had not been carried through the Procurement Committee.

(ii) 2.11.3 (a) and Southern Province Financial Rule 436.1 -

Starting time of the Procurement Committee should be included in the report and the report should be prepared in accordance with the specified form and the committee members should signed it immediately after the end of the procurement meeting. Any procurement committee members whatsoever had not participated in taking 109 procurement decisions in respect of procurements valued at Rs.13,557,489 made in the year 2014. The second member of the procurement committee for 121 decisions valued at Rs.16,682,896 and the 2nd and 3rd members for 12 procurement decisions valued at Rs.753,379 had not participated in those procurement committees.

2.2.7 Transactions not Supported by Adequate Authority

The following observations are made.

(a) The Provincial Council had invested Rs.117,582,228 in fixed deposit as at 31 December of the year under review and the approval of the Finance Commission had not been obtained therefore.

(b) It was stated in the loan security insurance cover issued by the National Insurance Trust Fund that a loan security insurance cover issued on behalf of an officer is invalid from the date of his resignation from public service or vacated his post or

dismissed from his service. Accordingly, it was observed in audit that there would be a risk about the recoverability of loans given to the following institutions under the insurance cover of the National Insurance Trust Fund without being guaranteed by any security.

Institution -----	No. of officers -----	Amount of loan -----
		Rs.
Governor's Secretariat	12	1,421,650
Co-operative Employee Commission	01	152,150

(c) **Southern Provincial Department of Education**

(i) An officer who was acting in the post of Deputy Director of Education (Administration) which was the post in the Class II Sri Lanka Education Administrative Service since 02 September 2014, and he had joined the teachers service as a certified teacher under the District Service basis on 02 January 1984. According to the decision of the Supreme Court under the political victimisation recommendation and the related decision of the Cabinet of Ministers he had been appointed to the Class III of the Sri Lanka Education Administrative Service on a Supernumerical basis by the Public Service commission. According to the conditions and rulings relating to that appointment the appointment to the permanent post in the Sri Lanka Education Administrative Service should be in accordance with the service minute of that service and this appointment should not affect any posts in the Sri Lanka Education Administrative Service. Contrary to those directions he had been appointed to the posts of Sri Lanka Education Administrative Service on permanent and acting basis without any authority. His post had been designated as Class III of the Sri Lanka Education Administrative Service as well.

(ii) The revised minimum limit of receipt of Advances to Public Officers Account of the Elpitiya Zonal Education Office amounted to Rs.19,000,000 but the actual value at the end of the year had not complied with by a sum of Rs.532,847.

(iii) **Recruitment of 700 Graduate Teachers to fill the Teachers Vacancies Existed in the Schools of Southern Province**

- Contrary to the Sri Lanka Teachers Service Minute, it was decided to call for applications at Divisional Secretariat Level and if the number of applications received by the relevant Divisional Secretariat were equal or less than the existing vacancies, teachers would be recruited by an interview without a competitive examination. This decision had been published in a newspaper advertisement.
- Instead of recruiting teachers on a result of the written competitive examination by the appointing authority in accordance with the Teachers Service Minute, all the applicants totalling 8830 had been called for interviews before holding a written competitive test.
- Accordingly, contrary to the Public Administration Circular No.24/2008 dated 22 December 2008 and without any documentary evidence, a sum of Rs.109,005 to the Secretary to the Southern Province Ministry of

Education, Land and Land Development and a sum of Rs.10,260 to a retired Deputy Director of Education had been paid in respect of supervisory work of the Interview Board. In addition, it was revealed in audit that a voucher for Rs.98,745 had been approved and ready for the payment to the retired officer by the time of audit on 23 March 2015.

- Eventhough a retired officer had participated in this recruitment process, there was no written approval thereon.

(d) Office of the Provincial Director of Health Services

- (i) According to the Health Development Plan approved by the Secretary of the Chief Ministry from his letter No. දපස/ප්‍ර.අ/සැල/සං/07/1/14 dated 17 June 2014, the provision made for 2 projects had been revised on 01 September 2014. Without drawing attention in this regard, a sum of Rs.1,860,000 had been spent in excess of the revised provisions.
- (ii) In excess of the provision made for the new works of the Health Development Plan for 2014 by the Ministry of Chief Minister, Finance and Planning, Law and Order, Transport, Water Supply and Drainage from its Letter No. දපස/ප්‍ර.අ/සැල/සං/07/1/14 dated 17 June 2014, a sum of Rs.865,539 had been spent for 7 projects.

- (e) A sum of Rs.224,205 as an acting allowance had been paid to the District Engineer of the Assistant Commissioner of Local Government Office, Matara for the period from December 2011 to August 2014, at the monthly rate of 25 per cent of his basic salary of the permanent post by the Department of Local Government in respect of working as the Officer in Charge and the Supervisor of Matara Construction Material Laboratory without a formal letter of appointment for the acting post.

(f) Department of Probation and Child Care Service

- (i) The consultancy services centre building located in the Southern Province women detention home had been used as an official quarters since 14 February 2013 using this advisory centre which had been set up for the advisory functions of minor girls, as an official quarter revealed that the objectives intended by the establishment of this advisory centre had not been achieved.
- (ii) According to the Letter No. සප/3/4/12 dated 19 March 1992 of the Southern Province Commissioner of Probation and Child Care Services, payment of a monthly incentive allowance and a monthly maintenance allowance had been approved to wardens of the Day Care Centres (Children's Gardens) in order to improve the service condition of those centres. However, the intensive of Rs.368,800 and the maintenance allowance of Rs.616,100 had been paid to the pre-schools and pre-school matrons.

- (g) The rural development division, functioned as a separate division under the Ministry of Sports, Youth Affairs, Rural Industries, Rural Development, Tourism, Economic Promotion, Social Welfare, Probation and Child Care Services, Women Affairs, Housing and Construction and Manpower and Employment had been considered as a Department and the cadre had been approved for that Department and Officers for these posts had been recruited on acting basis. However, evidence to ensure whether

approval had been obtained by following legal requirement to establish as a Department was not made available for audit. In terms of Letter No.PCMD/1/2/23/4(II) dated 03 July 2014 of the President's Secretary addressed to all Governors in the establishment of Departments by provincial councils it should be done in accordance with the committee report appointed on a decision of the Cabinet of Ministers on 31 October 2013. It was further observed that action had not been taken accordingly in this regard.

(h) Ministry of Southern Province Fisheries, Cultural, Food Supplies and Distribution, Trade and Co-operative Development

- (i) Out of the 3 three-wheelers given through a bank under the program of distributing 100 three-wheelers specially, made for the sale of fish among the people in Hambanthota District implemented by this Ministry it was revealed that one three-wheeler had been a passenger transport wheeler and a sum of Rs.10,000 had been spent by the Ministry thereon.
- (ii) It was observed that before getting the approval of the Cabinet of Ministries of the Council for the purchase of 50 numbers of dried fish processing kilns, agreement had been signed on 24 December 2014 with the suppliers for the purchase of equipment valued at Rs.2,471,000.

(i) Divisional Secretariat, Ambalanthota

In the examination of field inspections expenses of draftsmen, it was observed that a sum of Rs.149,729 had been obtained as travelling and allowances for 225 ½ days in the year 2014 in respect of project supervision duties in the field by the draftsman without forwarding advance programs and work done program, eventhough he could do the field duty only for the inspection of proposed project site and draw the design required as per his duty list.

- (j) Out of the provisions received from the Southern Province Ministry of Cultural Affairs to incur expenditure under Southern Province Development Plan for the year 2012 and 2013, a sum of Rs.265,000 had been spent for various projects by the Divisional Secretariat, Beliatta without complying financial regulations and procurement procedures.

(k) Office of the District Director of Health Services, Hambanthota

Quotations had been called for the purchase of patients beds for the Health Institutions in Hambanthota Division under the Second Health Development Program in the year 2012 without being prepared the price specifications in terms of Guideline 3.4.2 (a) of the Procurement Guidelines. Despite the Technical Evaluation Committee had recommended to purchase beds from a private firm which had submitted the lowest quotation at Rs.11,875 per bed contrary to that 20 beds had been purchased from another institution at Rs.27,500 per bed and as such it was observed in audit that an overpayment of Rs.312,500 had been made.

- (l) As the expenditure of Rs.10,438,432 had been incurred in excess of the approved amount of Rs.7,686,356 for 6 projects under the criteria based development plan for 2014 in the office of the Deputy Chief Secretary (Planning and Operations), an over payment of Rs.2,752,076 had been made.

(m) Department of Animal Products and Health

- (i) Contrary to the Southern Province Financial Rule 29, out of the provision of Rs.18,600,000 allocated for the purchase of furniture and equipment by a supplementary estimate for the Object No.316-3-2-2102, a sum of Rs.7,050,000 had been spent for recurrent expenditure such as salaries and allowances, motor vehicle repairs, hire of motor vehicles, additional fuel allowances, building repairs and the modification of buildings etc. in terms of decision No.689.5 of the Southern Province Cabinet of Ministers taken on 31 December 2014. Approval of the Governess had not been obtained for this Cabinet Decision.
- (ii) The income on sale of tickets in the “Ruhunu Asiriya” exhibition held in the year 2013 associated with Kekanadura Farm amounted to Rs.305,880 and a sum of Rs.142,181 had been paid as travelling expenses of officers who had participated in the exhibition by crediting the balance of Rs.163,699 to the government revenue on 29 August 2014. However, a proper approval for the payment of travelling expenses from the revenue had not been obtained.

(n) Southern Province Chief Secretary’s Office

- (i) Out of the 44 officers to whom the approval was granted to participate in the awareness workshop on 2015 budget, conducted on 30 August 2014 at Wakwella Training Centre by incurring an expenditure of Rs.112,123, 6 officers to that in five Heads of institutions, and including another officer had not participated and 34 unauthorised persons had participated by placing their signatures.
- (ii) Eventhough the approval of the Cabinet of Ministers of the Southern Provincial Council had been obtained under its decision No.576.4 and 649.3 for the expenditure of Rs.2,053,158 incurred for the Special Board of Inquiry appointed in terms of Section 277 of the Municipal Councils Ordinance to inquire into and report on the matters stated in the charge sheet of the Investigation Officers against the formar Mayor of the Galle Municipal Council, the Provincial Governess’s approval had not been taken on this payment.

(o) Southern Provincial Road Development Authority

- (i) Despite a proper scheme of promotion had not been approved, promotions had been given in a manner that promotion would be given once in every 4 year for 70 employees during the year consisting of 11 posts such as drivers, labours, kks etc. of the Authority.
- (ii) In terms of Public Administration Circular No.28/2011 of 12 December 2011 the approval had been granted for the payment of a monthly allowance of Rs.15,000 to the officers belonging to the Sri Lanka Engineers Service from 01 January 2012. Engineers working in this Authority did not belong to the Sri Lanka Engineers Service and as such, they were not entitled for this allowance. Nevertheless, without a special approval from the Department of Management Services, a sum Rs.2,734,645 had been paid to the Engineers only for the period from January to December 2014. Eventhough the Chief Secretary of the Southern Province and the Secretary to the subject in charge had informed the General Manager several times to stop this unapproved

allowance, without persuasion of these orders, this allowance had been continuously paid.

(p) Southern Province Development Authority

- (i) A provisions of Rs.1,000,000 for the year 2013 and Rs.600,000 for the year under review made for the creation of a publication on behalf of pre-school children in the Southern Province by the Authority had been granted under the criteria based projects. Nevertheless, expenditure incurred in the years 2013 and 2014 amounted to Rs.5,109,685 and Rs.2,100,000 respectively on these projects and as such the expenditure incurred in excess of the provision amounted to Rs.5,609,685 but the approval for this excess expenditure had not been obtained even by 31 July 2015.
- (ii) The printing of this publication for pre-school children had been done by the Authority without calling for quotations and by deviating the normal procurement procedure. No.any approval whatsoever had been taken to deviate from the procurement procedure.
- (iii) A sum of Rs.8,000,000 had been transferred from Councillors bank current account to general current account whereas a sum of Rs. 900,000 had been transferred from general current account to the current account maintained for Advances to Public Officers Account during the year under review. Transfer of these imprests had been carried out without a proper written approval and all had been carried out by verbal instructions instead. Similarly action had not been taken to settle such imprests totalling Rs.8,750,000 so transferred during the year under review and the previous year even by 31 December of the year under review.

3. Revenue Management

Tax income and non-tax income from 2010 to 2014 is given below.

Year	Tax Income	Non-tax Income	Increase/(decrease) of Income as Compared with Previous Year			
	Rs.M	Rs.M	Amount Rs.M	%	Amount Rs.M	%
2010	2,532	520	427	20.29	11	2.12
2011	3,705	570	1,173	46.33	50	9.62
2012	3,890	619	185	4.99	49	8.60
2013	4,039	717	149	3.83	98	15.83
2014	4,864	546	825	20.43	(171)	(23.85)

The following observations are made.

(a) Outstanding Turnover Tax

Outstanding turnover tax balance as at 31 June 2014 amounted to Rs.63,044,914. Eventhough 3 years had elapsed after turnover tax was abolished, it was failed to

recover the outstanding balances. Eventhough action had been taken to recover through judicial acts, it was observed that recoverability was uncertain as the recovering process had been very slow.

(b) Taxes on Mineral Rights

Outstanding taxes on mineral rights as at 30 June 2014 amounted to Rs.10,456,481, out of which a sum of Rs.7,040,269 had been for the period from 2003-2006.

(c) Drugs and Chemical Outstanding Taxes

Outstanding drugs and chemical taxes as at 30 June 2014 amounted to Rs.1,197,948. Out of the outstanding balances for the period from 2001 to 2013 existed as at 31 December 2013, 01 percent had been recovered during the first half year of 2014 and 3.6 percent had been exempted.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the surplus of the Provincial Council Fund for the year ended 31 December 2014 amounted to Rs.741,086,680 as compared with the surplus of Rs.130,858,734 for the preceding year.

4.2 Analytical Financial Review

Item	Year 2014	Year 2013	Increase/ (Decrease)	
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	Rs.000'	Rs.000'	Rs.000'	%
Revenue	5,410,464	4,755,429	655,035	14
Expenditure	(22,515,066)	(19,458,243)	3,056,823	16
Deficit	(17,104,602)	(14,702,814)	2,401,788	16
Government Grants	17,845,688	14,833,673	3,012,015	20
Surplus after Government Grant	741,086	130,859	610,227	466
	=====	=====	=====	

(i) While non-tax income in the year under review had decreased by Rs.170,719,971 or 23.82 percent as compared with the previous year, the improvement of tax income by Rs.825,754,950 or 20.45 per cent had caused to increase the total income by 14 per cent.

(ii) As compared with the previous year, it was observed that recurrent and capital expenditure had increased by Rs.2,387,902,427 or 13.45 per cent and by Rs.673,651,298 or 39.94 per cent respectively.

5. Authority Accounts/ Fund Accounts and Commercial Advance Account

5.1 Authority Accounts/ Fund Accounts

The following observations are made.

- (a) Five Authorities and 6 funds had been in operation within the Southern Provincial Council and particulars of presentation of those accounts for audit are given below.

Name of Authority/Fund	Date of Presentation of Financial Statements
Authorities	
(i) Southern Province Road Development Authority	28.08.2015
(ii) Southern Province Passenger Transport Authority	08.07.2015
(iii) Southern Province Industrial Development Authority	Not received
(iv) Southern Province Development Authority	17.07.2015
(v) Ruhunu Tourist Bureau	17.07.2015
Funds	
(i) Provincial Poverty Alleviation Fund	31.03.2015
(ii) Contingencies Fund	31.03.2015
(iii) Co-operative Development Fund	19.08.2015
(iv) Social Services Fund	30.03.2015
(v) Provincial Sports Fund	21.04.2015
(vi) Cultural and Arts Fund	17.06.2015

- (b) A qualified audit opinion on the financial statements of the Provincial Poverty Alleviation Fund and Cultural and Art Funds while a clear opinion on the financial statements of the contingencies fund had been expressed respectively.

5.2 Commercial Advance Account

Financial results of 11 Commercial Advance Account are given below.

Item No.	Advance Account Activity	2014		2013	
		Profit Excluding Hypothetical Charges	Profit Including Hypothetical Charges	Profit Including Hypothetical Charges	Profit Including Hypothetical Charges
		Rs.	Rs.	Rs.	Rs.
30602	Quality Laboratory Advance Account	10,059,358	7,514,433	18,317,737	15,718,512
30702	Ayurvedic Manufacturing Account	11,195,858	1,137,955	9,471,884	1,815,604

31402	Guaranteed Seeds and Plantation Material Advance Account		65,818	-	5,667	-
31403	Labuduwa Farm Advance Account		3,431,680	(15,158,745)	6,360,920	(11,941,953)
31404	Poddiwela Farm Advance Account		(922,635)	(8,236,576)	(655,023)	(6,911,740)
31405	Thelijjawila Farm Advance Account		(437,760)	(12,744,964)	492,032	(11,168,88)
31602	Kekanadura Poultry Farm Maintenance and Seed incubation Maintenance Advance Account		788,347	(5,567,776)	1,746,285	(7,944,086)
31603	Maintenance of Kekanadura Training Centre		56,414	(6,027,750)	172,564	(655,645)
31902	Textile and Small Industries Advance Account		12,020,633	(134,990,505)	6,602,741	(129,672,617)
32148	Wakwella Management Development Training Centre		7,831,145	1,219,832	2,298,195	(1,932,123)
32149	Bogahapelessa Holiday Resort & Training Centre		(80,656)	(947,889)	(407,084)	(547,967)

(b) Opening stock of finished and work in progress of the year under review relating to the Ayurvedic Drugs Manufacturing Advance Account amounted to Rs.7,271,586 and Rs.1,122,191 respectively. In adjusting those values to the Manufacturing Account and the Training Account, opening finished stock as the opening work in progress and visa versa had been brought to accounts. Accordingly, cost of manufacture had increased by Rs.6,049,395.

(c) **Bogahapelessa Holiday Resort and Training Centre**

(i) Although the equity of the previous year and the total liabilities shown in the balance sheet at the end of the year under review amounted to Rs.35,339,241, it was shown as Rs.34,544,544 thus indicating a difference of Rs.794,697.

(ii) Eventhough this center had been operated with main objectives of conduction training programs, workshops and lectures and as a Tourist Resort, only two workshops had been conducted during the year under review. According to the financial statements only a revenue of Rs.8,000 and Rs.16,000 had been earned in the year under review and the previous year respectively in conducting training workshops and lectures.

(d) Accrued revenue of Rs.493,653 generated during the previous years in the Wakwella Management Development Training Institute had not recovered even during the year under review.

(e) Labuduwa Farm Advance Account

- (i) According to the Departmental books and the Treasury computer printouts there were differences of credits and debits amounting Rs.3,326,628 and Rs.1,580,701 respectively made during the year under review and a difference of Rs.1,745,929 in the balance as at 31 December 2014 was also observed.
- (ii) Eventhough the opening stock of finished goods in the trading account had been considered as Rs.82,657, the value of stock balance as at 31 December 2013, comprising meat and eggs, bakery and milk related products valued at Rs.328,169 had not been included in the closing stock of the financial year and as such the opening finished stock of the year under review had been understated by that amount.
- (iii) Eventhough the value of closing stock of meat and eggs, bakery and milk related products had been shown as Rs.32,300 in the Trading Accounts, the balance stock valued at Rs.209,193 in the sales outlet as at 31 December 2014 had not been included in the closing stock.
- (iv) According to the statement of assets for the year 2014, a difference of Rs.338,730 had been observed between the value of stock balances of animal foods of 6 types as at 31 December 2014 and the value as per audit computation in showing the closing stock of animal foods. Accordingly, the value of animal foods as at 31 December 2014 had been under valued by Rs.338,730.
- (v) Eventhough the value of losses and damages had been accounted in the financial statements and the ledger accounts in the year 2014 as Rs.131,125, the value of losses approved for write off from books in terms of Financial Regulation 109 amounted to Rs.758,431. As such the value of unaccounted and damaged living stock amounted to Rs.627,306.

(f) Thejjawila Farm Advance Account

- (i) Four types of assets valued at Rs.259,240 purchased in the year 2014 from the capital expenditure Head of Department of Agriculture had not been included in the financial statements.
- (ii) Although the opening stock in the inventory and the valuation report of machinery stock amounted to Rs.2,739,795, it was shown in the financial statements as Rs.2,841,334 thus indicating a difference of Rs.101,539.
- (iii) Closing stock of Rs.220,647 as at 31 December 2013 had not been shown in the financial statements as the opening stock as at 01 January 2014.
- (iv) Seven stock balances totalling Rs.218,688 as at 31 December 2014 had not been shown in the financial statements.
- (v) Due to lack of evidence for 7 items of accounts aggregating Rs.287,031,824 such as title deeds, register of fixed assets, detailed schedules, register of motor vehicle, register of losses and damages, they could not be verified in audit.

(g) Poddiwela Farm Advance Account

- (i) The minimum limit of receipts during the year amounted to Rs.12,000,000 but the actual receipts had been Rs.9,372,640. As such it was observed that the minimum limit of receipts could not be reached by Rs.2,627,360.
- (ii) Due to lack evidence for 4 items of accounts totalling Rs.28,507,156 such as title deed register of fixed assets confirmation of balances etc., they could not be verified in audit.

(h) Quality Laboratory Advance Account

- (i) In terms of Financial Regulation 500 (4) all capital expenditure in respect of the advance account activities should be incurred from the financial provision specifically made for that purpose and this expenditure should not be debited to the advance account. Nevertheless, capital expenditure of Rs.118,900 had been incurred from the Quality Laboratory Advance account.
- (ii) Seven items of fixed assets valued at Rs.404,058 and an item, the value of which was not indicated observed at the physical verification carried out on 01 and 04 June 2015 in the construction material Laboratories in Matara and Galle had remained idle without taking action to repair or dispose of them.

6. Operating Review

6.1 Management Inefficiencies

The following observations are made.

(a) Southern Province Department of Education

- (i) Five teachers and non-academic employee had obtained 650 ½ day no pay leave during the period from 1991 to 2013 valued at Rs.153,793 in the Udugama Zone and a sum of Rs.70,263 had not been recovered for 109 ½ days no pay leave from a school labourer.
- (iii) As the salary conversions relating to the salary revision made from time to time of the academic and non-academic staff in Galle, Matara and Hambathota districts belonging to the Department of Education had not been computed and lack of financial provisions, the amount of arrears payable as at 31 July 2015 was Rs.1,212,431,862. It was observed that this unfair situation had affected to the staff of the Southern Province Education Service and it was adversely affected for the quality improvement of the Southern Province Education Sector.

(b) Zonal Education Office – Hambanthota

- (i) According to the letter dated 25 May 2013 of the Secretary to the Southern Province Education, it was informed to transfer 4 teachers to some other schools within the zone with successors as per issues revealed at a preliminary investigation and report to him. However, the Zonal Director of Education had not taken action to effect the transfer of these teachers even after a lapse of 2 years from the date of recommendation of the investigation even up to the date of audit on 06 June 2015.

- (ii) According to the letter dated 21 March 2012 of the Zonal Director of Education, Hambanthota, the principal of this school had been attached to the service of a National School with immediate effect. Eventhough 3 years and 2 months elapsed by the time of audit in June 2015, it was observed in audit that this officer who was in class I of the Sri Lanka Principals Service had been working as an ordinary teacher in that National School.
- (c) Assets and Liabilities allocated for the newly established Urban Council, Hikkaduwa, Rajgama, Pradeshiya Sabha Welivitiya Divithura Pradeshiya Sabha and Emaduwa Pradeshiya Sabha in the years 2000 and 2005 by delimitating local authority boundaries in Galle District had not been legally vested to those Local Authorities by the Southern Local Government Department. As such administrative and revenue collection disputes had arisen within those local authorities.
- (d) **Land Commissioner's Department**

- (i) **Issue of License for State Lands**

- According to the progress of holding land Kachcheries as at 04 June 2015, the date of audit out of the 1312 beneficiaries to whom approval had been granted to final list for issuing licenses in Galle and Matara Districts, licenses had been issued only to 705 beneficiaries.
 - No any license whatsoever had been issued to the beneficiaries in Hambanthota District even by 09 June 2015. The list of names of beneficiaries to whom final approval had been granted for the issue of licenses was available only in respect of the Divisional Secretariat, Ambalanthota out of the 12 Divisional Secretariats withing that District. Any other information in respect of issue of licenses relating to this District was not available in the Southern Province Land Commissioner's Department.
- (ii) **Examination of Ranmalakanda Circuit Bungalow**

- Eventhough Government Officers had used to visit Ranmalakanda Circuit Bungalow from time to time, situated at Rammale, Warapitiya in the Walasmulla Divisional Secretariat area belonging to the Department and taken accommodation facilities and no any charge had been recovered. A salary of Rs.1,044,327 had been paid to the Bungalow Keeper from April 2012 to June 2015 and the electricity expense of this bungalow (from 2013 to April 2015) amounted to Rs.11,355. Eventhough such expenditure had been incurred by the Department for this bungalow, no income was generated. It was also revealed that the Department had not taken action any cours of action to generate income.
- (e) Loan term lease rental due from 4 lessees as at 31 December 2014 in the Divisional Secretariat, Elpitiya amounted to Rs.391,578 and the period of outstanding from 2 of them had been more than 15 years. Further, a sum of Rs.1,183,888 had to be recovered as at 31 December 2014 in respect of 147 licenses.
- (f) The Deniyaya Tourist Information Centre constructed by incurring an expenditure of Rs.3,919,025 by the Ruhunu Tourist Bureau had belonged to Katapola Pradeshiya Sabha but action had not been taken to acquire the ownership thereof.

(g) Industrial Development Authority

A lease rental of Rs.441,600 receivable as at 31 December 2014 from 3 rented buildings located at Benthota Janakala Kendrya had not been recovered from the period from 2 to 16 months, and adequate action had not been taken to recover same.

- (h) Eventhough 2 scavators handed over to the Galle District Irrigation Office in October 2014 had been inoperative on 28 December 2014 and 02 April 2015, salaries for those machine operators and assistants totalling Rs.735,304 had been paid up to July 2015 without getting any service from them. Similarly a sum of Rs.2,149,034 had been paid during the year 2014 for machines obtained from Private Suppliers for district irrigation works. Accordingly, it was revealed in audit that eventhough there were machines belonging to the District Irrigation Office, they had not been utilized property and as such a large amount of government provision had to be passed on to the private sector.
- (i) The Land Called Wasalawalawwa Watta in which Probation Commissioner's Office, Ruhunu Children's Home and Other Children's' Homes were located was a property which was donated to the Central Government Probation Department. It was revealed that action had not been taken to convert this land as a government property under the Interim Order 38(b) of the Land Acquisition Act.

(j) Divisional Secretariat, Hambanthota

- (i) Three private institutions had not obtained Liquor Licenses for the years 2013, 2014 and 2015.
- (ii) Lease rental and fines thereof totalling Rs.16,429,860 for the years 2012, 2013 and 2014 in respect of leases of Mahasoltern and Koholakala Soltern of Lanka Solt Ltd. had not been recovered even by 30 September 2015.

(k) Department of Education – Matara

- (i) Two out of 9 Technological Subjects in the second part, scheduled to be taught in grades 10 and 11 in a school at Matara and one subject out of subjects specified for grades 6 and 9 had only been taught and as such the students had deprived of the opportunities in selecting subjects. Eventhough about 150 students learning in this school, there was no pure drinking water facilities and as such students and teachers had faced lots of difficulties. Even a single computer was not available in this school for students use but action had not been taken to supply a computer even up to the date of audit on 16 March 2015.
- (ii) Personal files of 12 teachers who had got change of station transfer from other Education Zones to Matara Zone during the period from 2006 to 2013 had not been brought down to the transferred Zone even by the year 2015.
- (ii) It was observed in audit that as there were no boundary walls around the school land, 4 acres, 2 roods and 26 purchase in extent, belonged to a school in Matara District. Villages living nearby the school land had encroached the part of school land.

(l) Office of the Deputy Director of Health Services – Matara

Construction of a clinical building in the Deyyandara Hospital Premises had been commenced in the year 2012, and the construction works of this building had been abandoned by 31 March 2015, the date of audit. The contractor had used water from the school water supply during the construction period and the water charges of Rs.122,272 had to be recovered from him but it had not been recovered even up to 31 March 2015.

(m) Southern Province Passenger Road Transport Authority

(i) Eventhough the agreement periods of 24 trade stalls in bus stands belonging to the Authority had expired, attention of the Management in this regard had not been drawn.

(iv) It was observed at the audit inspection carried out in March 2015 that 4 trade stalls at Wanduramba bus stand and 2 trade stalls at Uragasmanhandiya bus stand had been closed for business continuously for 3 months but action had not been taken in accordance with agreements.

(n) Chief Secretarat

(i) In terms of the Southern Province Financial Rule 261.2.4 an ad-hoc imprests should be settled immediately after the purpose for which it was granted. Without settling the advance so, money had been retained in hand for the periods ranging from 12 days to 94 days.

(ii) In terms of Public Administration Circular No.41/90 dated 10 October 1990, the fuel consumption of vehicles should be tested every 6 month but such a test had not been carried out. Eventhough a Committee with the participation of an Assistant Director had been appointed to test fuel consumption of 14 pool vehicles in the Chief Secretary's Office by the Deputy Chief Secretary (Administration) by his Letter No.CSS/3/11/10 DATED 05 December 2014 and to give a report, it had not been completed and reported even up to 27 August 2015.

(o) Southern Province Development Authority

(i) According to a decision of the Provincial Cabinet of Ministers' meeting, a provision of Rs. 38 million had been approved under the, Chief Secretary's Expenditure Head to implement through the Provincial Councilor's the program in connection with housing aids, for low income families medical assistance, bursaries, self-employment assistance, assistance to Sport Societies, Daham Schools, Voluntary Organizations and Societies. Nevertheless, evidence to ensure that the approval of the Governess of the Southern Province had been obtained for this Cabinet decision and whether such a provision had been given for a similar program was not made available for audit. However, projects at Rs.10 lakhs per Councilor, only in the government wing had been implemented by using imprest given by the Chief Secretariats under the criteria based grants and Provincial Specific Development Grants. The following observations are made in this regard.

- Despite an approval to implement such a project had not been obtained either from the Chief Secretary or the Deputy Chief Secretary, (Planning and Operations) this project had been implemented.
 - The Southern Development Authority had written cheques on 31 December 2013 on the list of names with beneficiaries signatures confirming that relevant money had been given to beneficiaries by councilors and given those cheques to relevant Councilors. Those cheques had been distributed among beneficiaries in January and February 2014.
 - These aids had been given without ensuring whether the selected persons were low income people for giving assistance as they were not certified by the Grama Niladhari or the Divisional Secretary.
 - Under this project, total sum of Rs.15,796,088, comprising Rs.14,997,748 in January and Rs.798,340 in April 2014 had been paid to a private institution in Piliyandala area for the purchase of plastic chairs without calling for quotations. A sum of Rs.596,088 had been paid in excess of the provisions made for the purchase of these plastic chairs.
- (ii) A provision of Rs.3,462,417 received by the Southern Province Development Authority for the implementation of 47 projects relating to Galle District, 14 projects and 07 projects relating to Matara and Hambanthota Districts respectively had been returned to the Chief Secretary on 31 October 2014 due to delay in the implementation of projects as the relevant Provincial Councilors had not been selected to the 7th Provincial Council.
- (p) The balance of Rs.9,402,800 shown in the individual balances classification summary of the Advance Account in Galle Zone as “others” had not been identified.

6.2 Operating Inefficiencies

The following observations are made.

(a) Department of Local Government

Loan balance of Rs.360,490 recoverable from 12 Local Government members who had obtained motor cycle loans but vacated their posts and decreased as at 31 December 2014 had not been recovered from the relevant sureties.

(b) Land Commissioner’s Department

It was observed that taxes in the year 2014 amounting to Rs.24,007,266 from annual taxes, yield tax, long terms taxes, recovery of purchase price etc. in Galle, Matara and Hambanthota Districts under the direction of the Department had not reached tax targets. Of these taxes recovery of long term taxes had been at a lower level.

6.3 Provincial Road Development and Improvements

Southern Province Road Development Authority

The following observations are made.

- (a) A sum of Rs.469,350 had been paid on a letter stating that the Chirman of the Dikwella Pradeshiya Sabha had provided a JCB machine on a hire basis for the widening of Wehella – Mabharana Road and the relevant work had been done but the payment had been made without checking the agreed rate per hour and the number of hours spent.
- (b) Payments had been made to the contractors who supplied ABC mixed rubble and C1 rubble for the 9 roads in the Matara District under the Deyata Kirula Road Development Programs without being signed agreements.
- (c) In the sample tests carried out in respect of 14 bills valued at Rs.38,371,237 paid to the ABC suppliers for the repair of 7 roads being developed under the access road construction project under Deyata Kirula exhibition observed the following.
 - (i) Without being measured and bagged by the suppliers in accordance with the Technical Officers instruction ABC had been directly used to the roads. ABC supply had been computed on the basis of number of trips of tippers of the suppliers to the site and the standard capacity quantity of the tipper.
 - (ii) Work supervisors appointed by the suppliers themselves for ABC roads had noted the number of the tipper, delivery note number and the standard quantity of capacity of the tipper. Nevertheless, a proper system had not been adopted to check the accuracy of information by a responsible officer.
 - (iii) As the lab reports in respect of the suitability of ABC mixture supplied by suppliers were not made available for audit, the suitability of the ABC mixture supplied could not be checked in audit.
 - (iv) Payments had been made after being confirmed the ABC quantity supplied by the relevant Technical Officers, on the basis of information obtained from the works supervisors appointed for roads. However stock register maintained for this purpose had not been updated.
 - (v) According to the sample selected, agreements had not been entered into with the suppliers to whom payment of Rs.29,652,237 had been made for 09 bills. Accordingly, it was observed that 77.3 per cent of the value of bills settled for the supply of ABC for the above 07 road development without entering into agreements with the suppliers.

(d) Ascertainment of JCB Machines on Hire Basis for the Deyata Kirula Access Road Improvement Project

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- (i) According to the payment particulars made to JCB machine suppliers by the date of audit on 04 March 2015, 20 JCB machines had been utilized for the project activities but only agreements for 3 JCB machines were made available for audit.
 - (ii) The General Manager of the Southern Province Road Development Authority had informed the Project Engineer by his 3 letters that in using motor vehicles and plant and machinery for the Deyata Kirula Access Road Development Project – 2015 they should be used on input and output basis. Nevertheless, no evidence to ensure whether it had been so done was available for audit.

- (iii) Running charts of only one JCB had been presented to audit, out of the JCB machines utilized for this project. As revealed in audit certain information included in those running charts was incorrect and as such it could not be satisfied in audit in respect of a sum of Rs.17,796,216 paid on 49 payment vouchers up to 22 February 2015 for the use of those 20 JCB machines.

(e) Provincial Road and Incompleted Road Development Project, Matara Implemented under the Southern Province Road Development Authority

- (i) It was revealed that tender decision to be taken by a Provincial Cabinet of Ministers Appointed Tender Board for obtaining plant and machinery and for the supply of raw materials for this road project, had been taken by the Provincial Ministry Tender Board. Only 3 members of the Tender Board had participated in the Provincial Ministry Tender Board Meeting held on 28 June 2011 and the officer who represented the Chief Secretary had not given his approval for this tender decision.
- (ii) At the inception, suppliers had been selected on limited quotation method without proper approval, being implied as urgent requirement. Despite there was a possibility of calling for open quotations while the project work was in progress, without doing so, it was decided to call for limited quotation. At this time quotations had also not been called for from the private company which provided the supply at the minimum price.
- (iii) The second copy of the quotations opened on 03 October 2011 which should be kept securely, was not made available for audit. Accordingly, the doubt that revisions of prices made to original quotations had been made subsequently can not be ruled out in audit.
- (iv) In calling for quotations at the second time, without mentioning the total required ABC quantity or ABC quantities required for each road, quotations had been called for. In that, it was mentioned that ABC quantity to be supplied per day was 500 cubic meters. It was observed in audit that it had been purposely done to hide the Ministry Tender Board Limit.
- (iv) Any files in respect of the activities of this project had not been properly maintained. The register in which the particulars of bills submitted by suppliers were entered and the register submitted to the payment division for checking, along with bills and payment vouchers were not made available for audit.
- (v) The full particulars of this project requested by the letter dated 17 March 2015 were not made available for audit.

6.4 Transactions of Contentious Nature

Certain transaction carried out by the institutions of the Provincial Council had been in contentious nature. Particulars of some such transactions are given below.

- (a) In terms of Section 54.4 (1) of the Procurement Guidelines of 01 March 2006, advances can be paid on the submission of an advance bond in respect of construction and service contracts, subject to a the maximum of 20 per cent of the contract sum. Nevertheless, without any security bond 62 per cent, equivalent to Rs.237,975 had been paid as an advance from the total estimated amount of Rs.386,024 to a motor

vehicle agency in making payments for the repair of motor vehicle bearing No.HA-5895 on 08 December 2014 by the Governor's Office. Action had not been taken to obtain a report from a qualified Mechanical Engineer in respect of fairness of the estimated prices presented for the above repair in terms of Paragraph 3.13 of the Public Administration Circular No.41/90 dated 10 October 1990.

- (b) Eventhough the articles valued at Rs.289,710 issued to the former Minister of Provincial Ministry of Agriculture by the Ministry should have been handed over to the Ministry after the termination of the tenure of office, along with the appointment of the new Provincial Cabinet of Ministers, those goods had not been handed over to the Ministry even by the date of audit in February 2015.

(c) **Ministry of Agriculture, Irrigation, Agrarian Development, Animal Products and Development and Environment**

Quotation had been called for from 8 institutions on 26 November 2014 for the purchase of 48 computers and 48 printers to distribute among Divisional Secretariats in respect of the Portfolio of Ministry and a principal condition had been included therein that goods should be supplied within 2 weeks.

The following observations are made in this regard.

- (i) In terms of Provincial Financial Rule 422(6) and Section 2.14.1 (3) of the Procurement Guidelines – 2006, the Ministry Procurement Committee is authorized to take decisions only for procurements less than the value of Rs.2 million. Contrary to that approval had been granted to effect purchases valued at Rs.3,525,600 by using shopping method.
- (ii) In terms of Section 2.8.5 of the Procurement Guidelines, out of the member of a Technical Evaluation Committee, at least one member should be an expert in the relevant subject but there was no such a qualified member in that committee appointed for the above purchase.
- (iii) As stated in the tender notice under special matters, goods should have been supplied within 2 weeks. Accordingly 48 computers should have been supplied by 23 December 2014. Nevertheless only 27 computers had been supplied up to the date of stores verification carried out by audit on 13 February 2015.
- (iv) Eventhough all computers had not been received by the Ministry, contrary to the Financial Regulation 215 (1) and (1)(a), a cheque valued at Rs.3,525,600 had been issued on 31 December 2014 and retained in hand.
- (v) The Ministry had not prepared a Procurement Plan for the year under review and the registration of suppliers had also not been done.

(d) **Southern Province Department of Education**

- (i) A sum of Rs.64,925 had been paid on 31 December 2014 for the printing of 2450 certificates to be awarded to the winners of the southern province school musical tournament, by the Southern Province Education Department. However, action had not been taken to distribute certificates even by 31 July 2015 through the relevant tournament had been held on 31 May and 01 June 2014.

- (ii) A sum of Rs.589,209 had been paid on 31 December 2014 for the supply of plaques and cups to be awarded under the “ Sipdora Abhises” 2013 program without getting the goods to the stores by the Southern Province Education Department. However the award ceremony relating to the year 2013 had not been held even by 31 July 2015.
- (e) The cheque valued at Rs.800,000 received by the Divisional Secretariats, Baddegama on 03 March 2001 for the payment of compensations and to acquire land to the extent of 16 acres of Wekunugoda Watta at Baddegama for the construction of Southern Province Youth Centre and Sports Ground from the Southern Province Ministry of Sports and Youth Affairs had not been utilized for the intended purpose and deposited in the Provincial Council General Deposit Account.
- (f) A land, 0.0107 hectares in extent had been leased out to a person in Eththiligoda area within the Gall Kadawathsathara Divisional Secretariat for 30 year period from 13 June 1995 for agricultural purposes. However no agricultural development in this land had been carried out and there was an outstanding lease rental of Rs.115,684 for 4 years. Eventhough the lessee had breached the lease agreement in respect of a government land, legal action had not been taken in this regard.
- (g) **Divisional Secretariat, Elpitiya**

The land 0.009 hectares in extent leased out to a person by Letter No. 4/10/24742 dated 24 November 2009 of the Land Commissioner’s Department for an agricultural activity had been sold to an another person without any agreement but no action whatsoever had been taken against him.
- (h) **Ministry of Sports, Youth Affairs, Rural Industries, Rural Development, Tourism, Economic Promotion, Social Welfare, Probation and Child Care Services, Women Affairs, Housing and Construction, Manpower and Employment**

An officer in the special grade of the Sri Lanka Administrative Service, now working as a Ministry Secretary of the Southern Province had been appointed to the Sri Lanka Administrative Service with effect from 10 September 1990 and he had assumed duties on that date and after the training period, he had been attached to the Southern Provincial Council since 27 September 1990, but it was revealed that he had reported for duty on 27 June 1991, after 9 months. Nevertheless the Appointing Authority had not taken any action in respect of non-reporting for duty on the due date. It was not clear in audit that on what basis the absent period had been considered as no pay leave. It was further observed that he had served in a University, affiliated to the government up to 27 July 1991 during which he had been granted no pay leave in the Public Service and obtained salaries. Further, he had been granted his first salary increment as at 09 December 1991, by adjusting the 9 months period of no-pay as 91 days.
- (i) Fifty five laptop computers of ‘Dell’ type valued at Rs.7,920,000 had been issued to be distributed among the Ministers and members of the Southern Provincial Council under 8 issue orders of the Chief Secretariat on 23 August 2011 but receipt orders thereon had not been obtained even by 28 July 2015.

(j) Southern Provincial Development Authority

- (i) The Authority had spent a sum of Rs.6,500,000 approximately from the Provincial Council Fund for the construction of a building in a private land without being acquired by the Government for the Social Service Organization and to purchase equipment. The estimate for the project proposal valued at Rs.4,825,000 had not been properly prepared and approved and the preparation of estimates, supervision of work done, preparation of bills had been carried out by the Technical Officer himself. Similarly, a sum of Rs.107,862 had been paid to him in 2 instances without proper authority.
- (ii) A sum of Rs.800,000 had been paid to a private company for the supply of 25,000 exercise books of 120 pages to be distributed among the children of low income families in the Southern Province by the Authority for their education activities. However, this work proposal had not been approved either by Southern Province Planning Secretariat or Chief Secretariat. In the examination of 4 sample exercise books presented to audit, it was observed that staples bound the exercise book had been removed and rebound with outer covers. It could not be understood the requirement why those books were priced at Rs.50 per book as they were distributed free of charge. Likewise the stock of these books which had not been distributed even by 06 August 2015, the date of audit could not be presented to audit by the Authority or Chief Minister's Office.
- (iii) After the winding up of functions of the Matara District Participatory Development Institute, a sum of Rs.9,209,593 had been credited to the Southern Provincial Council Fund on a decision of the Board of Control and that institute had requested to use this money for a scholarship fund for poor children in the province. According to the decision of the provincial cabinet of ministers dated 25 October 2011, it was decided to use this money for the development of Children's Health, Education and Sports Sectors in the Southern Province through a supplementary estimate. Out of a sum of Rs.9,446,927 including this money, the Authority had spent a sum of Rs.4,743,935 for various expenses of recurrent nature such as printing of greeting cards, CDs' with Pirith, Cards Lullabys, various printing books, stationery etc. and there was a balance of Rs.4,702,992.
- The following observations are made in respect of implementation of projects from this money.
- The Authority had spent a sum of Rs.214,000 for awarding gifts to the participants for the pregnant ladies awareness program of "Suwasetha Mehewara" such as CD's with Pirith, Cards including Angulimala Piritha, Printing of Colourful Leaflets with Lullabys. In the examination of telephone numbers stated in quotations received from 4 institutions for the purchase of CDs including Pirith, it was established in audit that those telephone numbers were not in use. It was further revealed that the Authority had received quotations improperly by the Chief Minister's Office or prepared at this office and the fictitious documents to prove that quotations had been called for by the Authority had been included in the relevant file.
 - The Authority had paid a sum of Rs.503,595 to a private institutions for the printing of 46,500 greeting cards and envelopes in order to wish the

retired officers and the officers now in service on their birth days in the Education and Health Sectors of the Southern Province. It was also observed in audit that the Authority had prepared the relevant file in a manner to attribute legality the improper procurement procedure applied by the Chief Minister's Office and for all transaction.

- In all these books, CDs and other materials printed by incurring this money, had been distributed being stated that this was a present from the Chief Minister of the Southern Province and no any indication whatsoever had been printed in those materials that the government money had been spent for the purchase of these materials.
 - A sum of Rs.715,467 had been spent for the purchase of various books amounting to 3190 as an assistance to writers, but they had been remained in the Chief Ministers Office and the Authority stores without even being distributed. It was revealed that a sum of Rs.28,000 had been paid to a authoress for printing expenses. Accordingly, it was observed in audit that this money had been spent on personal nature contrary to the objectives for which it was provided, despite effective programs in the Development of Education and Health Sectors could have been carried out.
- (iv) Despite there was provisions for the expenses of the Chief Minister under a separate expenditure head an expenditure of Rs.311,520 had been incurred from the General Account for the development of Home Garden of the Chief Ministers Official bungalow, contrary to the objectives and functions of the Authority. It was further observed in audit that the approval of the Chief Secretary had not been obtained for that purpose.

(k) Southern Province Road Development Authority

The following observations are made in respect of salaries and promotions of the employees of the Authority.

- Contrary to the provisions in the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a salaries had been converted out with a decision of the Board of Directors.
- Contrary to the recommendation made by the Letter No.DMS/B/03/01/03/01/SA dated 26 December 2006 issued by the Department of Management Services relating to the payment of salary increments to the employees of the Authority given by the Management Services Circular No.30 of 22 September 2006, salary conversions had been made.
- Without proper approval, 4 increments had been given to all non-staff grade employees since 01 July 2008 on a decision of the Board of Directors.
- Contrary to the Circular No.28 dated 10 April 2006, 28(i) dated 26 May, No.28 (ii) dated 01 August, No.36 dated 01 August 2007 and 36 (1) dated 15 October 2007 of the Management Services and Public Administration Circular No.15/90 dated 09 March 1990, and No.15/90 (1) dated 15 June, 60 employees had been recruited from 01 January 2006 to January 2012.

- (ii) The Authority had recruited 21 casual Labourers from January 2013 to November 2014 and released to the Minister of Southern Province Education, Land and Land Development, Highways and Information. The Authority had paid a sum of Rs.5,458,179 as their salaries by the end of May 2015 while they had not performed any duties to the Authority.

6.5 Apparent Discrepancies

The following matters were observed.

(a) Southern Province Governor's Secretariat

A sum of Rs.443,812 had been reimbursed to the Governess for the expenses incurred for various festivals in 4 occasions. The following observations are made in this regard.

- (i) Expenditure for all of these festivals had been incurred without the preparation of pre-estimates or following procurement procedure in terms of Financial Rule 418 and it was observed that expenditure had been incurred without considering the number of participants in the festival. In making payments action had not been taken in terms of provisions in Financial Rule 84, 85 and 86.
- (ii) In respect of a bill submitted for the purchase of 4000 milk packets from an agent by incurring an expenditure of Rs.100,000 for the “Sammabhiman Dharma Deshana Program”, the owner of this agency had given an statement to audit on 12 June 2015 stating that he had never issued such a bill or not provided milk packets on this bill.
- (iii) Similarly, it was stated that 4000 fish buns had been purchased for Rs.100,000 for the above program from another business entity. According to the statement given by the owner of that business to audit on 18 May 2015, he newer issued such a bill or never supplied goods.
- (iv) A sum of Rs.252,762 had been re-imbursed as expenditure incurred on two teachers tribute festivals and the “Kalawa Rasawindime Kalawa” workshop. In the examination of expenditure incurred on Lunch Packets valued at Rs.125,000 included in the above expenditure it was revealed that telephone numbers and addresses of those bills had been false and there were no such businesses in those addresses.
- (v) Fish buns and milk packets valued at Rs.80,812 had been purchased from 2 trade stalls situated in Colombo and Kundasala areas for the festival held in Weligama. Despite there was a possibility of buying these items in Weligama or Surburs it could not be understood in audit why they had been purchased from very distance place.
- (vi) It was further established that the address and the telephone number stated in the bill valued at Rs.14,000 paid for the supply of loudspeakers provided for the above festival had been false.

- (b) Without following the proper Procurement Procedure 380,000 greeting cards for the year 2015 had been printed under the “Subha Dakunak Dinu Jayagrahanaya Rekaganimu” theme and distributed among all school children of the Southern Province just before 2 days of the Presidential Election held on 08 January 2015. The Secretary of the Ministry of Southern Province Education, Land and Land Development, Highways and Information had informed all school principals by his letter dated 31 December 2014 that they should personally satisfy to ensure that those greeting cards should come to the hands of parents of the school children.

(c) **Southern Province Department of Education**

- (i) On the basis of false salary particulars presented by an Assistant Teacher of a Junior School in Galle District, salaries of Rs.454,140 and an special allowance of Rs.23,969 had been spuriously paid for the period from October 2008 to April 2013.
- (ii) Disciplinary inquiries against 7 teachers who obtained salaries deceitfully in entering Southern Province teachers service by producing spurious transfer letters and certificates had not been completed and the salaries and allowances amounting to Rs.3,707,024 obtained by them had not been recovered again.
- (iii) A driver attached to the Department had been working as a Pradeshiya Sabha member since 2006. Despite he had not signed daily in and out in his permanent service place and without performing any duty a sum of Rs.1,994,197 had been paid as salaries.

(d) **Land Commissioner’s Department**

In the examination of 3 motor vehicles belonging to the Department, differences of 6820 km, 387 km and 498 km between the figures in the milo meter and the running charts were observed respectively. Accordingly, the market value of fuel obtained for the distance not run amounted to Rs.111,600. Further, the notes kept in the running charts by auditor in green colour in 2 of those vehicles and got the signatures of the relevant driver at the same item had been subsequently changed spuriously.

(e) **Southern Province Revenue Department**

According to the fuel consumption of the assigned vehicle belonging to the Department, liters of fuel given in excess of the fuel which should have been given during the period from January to September 2014 was 218, valued at Rs.35,425.

(f) **Ruhunu Tourist Bureau**

An average of Rs. One million approximately had been remained in the current account of the Bureau maintained at the Peoples Bank since 2013 and more than Rs.10 million had been remained in the Bank of Ceylon current account maintained by the Bureau. The management had not taken action to invest those excess funds to get some benefit to the Bureau.

- (g) A member of the Kotapola Pradeshiya Sabha who had got an appointment as a school KKS in a Junior school in the Matara District since 14 October 2013 had come to the school only for 2 days from the date of appointment up to 28 February 2015. He had obtained salaries of Rs.406,798 from the school for the period from November 2013

to March 2015 the date of audit and a sum of Rs.135,000 had also been obtained as a members allowance from the Kotapola Pradeshiya Sabha for the same period. This employee had temporarily attached to the Deniyaya Zonal Education Office and to the Southern Province Ministry of Education during this service period and he had not been given any specific duty by the Deviyaya Zonal Education Office. It was also not ensured that what special project he had performed in the Ministry of Education.

(h) Chief Secretary's Office

Two motor vehicles had been sold at an auction held on 10 June 2013 for Rs.2,476,500. As it was subsequently revealed that the chassis numbers of those vehicles had been changed, those vehicles had been taken back, by refunding the money to the buyers. Necessary action had not been taken against the responsible officers of this discrepancy even by August 2015.

(i) Southern Province Road Development Authority

(i) One cubic meter of ABC mixed rubble had been supplied at Rs.2,900 per cubic meter for the Kekanaduara Ratmale, Dikwella road from 01 December 2014 and one cubic meter had supplied at Rs.3,400 each from 01 January 2015. However, the Authority had paid at Rs.3,395 per cubic meter of ABC mixed rubble and Rs.3,400 per cubic meter supplied by a private entity and another private entity in December 2014 respectively. Accordingly, an over payment of Rs.1,321,394 had been made for the supply of ABC during the month of December 2014 by 24 February 2015.

(ii) A private entity had supplied 718.11 cubic meters of ABC at Rs.2,900 per cubic meter by 31 December 2014 for the improvement of Ogaspe, Athudawa, Nadungala Road which was an access road to 2015 Deyata Kirula. Accordingly, payment had to be made to this supplier amounted to Rs.2,082,519 out of a sum of Rs.2,197,000 had been paid this supplier making an over payment of Rs.114,481.

(j) Southern Province Development Authority

(i) Eventhough the Chief Secretariat had informed that the over payment of Rs.208,790 made due to the financial discrepancy committed in the implementation of Delpona Drinking Water Project, only Rs.50,000 of that had been recovered and the balance had not been recovered. In addition, action had not been taken to recover the over payment of Rs.172,000 made for the service of machines revealed by the audit query on 20 January 2015.

(ii) Any evidence with regard to the distribution of 15 iron almirahs purchased at Rs.192,375 in the year 2014 among the libraries in the Galle District under Councilors provisions by the Authority's was not made available for audit.

6.6 Under utilization of Funds

(a) With the approval of the Provincial Director of Education, the surplus money can be invested in fixed deposits. Nevertheless, a sum of Rs.12,554,111 had remained idle in 2 bank current accounts of a girls school in Galle District since June 2014.

(b) Southern Province Development Authority

- (i) A sum of Rs.40,523,827 given to the Authority under the capital expenditure objects for the implementation of various projects had remained in a savings account for more than 2 year with a low interest rate.
- (ii) The balance of the bank current account relating to the members provisions in the Authority as at 01 January 2014 amounted to Rs.38,678,272 and that balance as at 31 December 2014 had stood at Rs.49,182,044 thus indicating an average balance of Rs.43,930,158. It was observed in audit that the retaining this money in current audit by debiting capital expenditure objects by the Provincial Council had been a fruitless.

6.7 Idle and Under Utilized Assets

The following observations are made.

(a) Southern Province Department of Education

- (i) Pre-school equipment purchased on 23 January 2013 valued at Rs.148,191 to be distributed among 10 pre-schools under the Annual Action Plan for the year 2013 had remained in the stores for more than 2 years without being distributed.
- (ii) Out of the 104 schools relating to the following 8 Zonal Offices closed down, 51 schools had not been used for any purpose, and the lands to the extent of 72 acres, 3 roods and 29 purchase and 102 buildings belonging to those schools had remained idle. One building of a closed school belonging to the Elpitiya Zone had been encroached by 2 unauthorized persons.

Zone	No. of Schools Closed	Schools Not Used for any Purpose		
		No. of schools	No. of Buildings	Extent of Land
Galle	32	10	17	3 Acres and about 3 roods
Elpitiya	21	12	22	About 22 acres
Matara	17	08	08	4 Acres, 01 rood, 32 purchase
Akuressa	07	-	-	-
Walasmulla	08	05	10	9 Acres, 01 rood, 9 purchase
Deriyaya	01	01	02	5 Acres
Hambanthota	06	03	07	5 Acres
Malatiyana	12	12	36	23 Acres, roods 18 purchase
	104	51	102	72 Acres, 3 roods, 29 purchase

(b) Udugama Zonal Education Office

- (i) Eventhough a sum of Rs.20,048 had been paid for the repair of office intercom telephone system that system had been inoperative for 7 months up to the date of audit on 11 December 2014.
 - (ii) A repair cost of Rs.58,520 had been incurred for the repair of the van parked in the premises without being run. Salaries of Rs.283,935 had been paid to the driver without being assigned any duty during the period from January to November 2014.
- (c) Nine buildings, 8500 square feet in extent belonging to a Maha Vidyalaya in Galle District were being dilapidated and it had been idle for several years.

(d) Ruhunu Tourist Bureau

- (i) Buildings constructed for the Denuwala Tourist Resort by incurring an expenditure of Rs.15,364,785 as at 31 December 2014 and furniture and fittings had been idle and they had not contributed to improve the tourist industry in any way.
- (ii) A sum of Rs.6,335,326 had been spent for the Ocean Archaeological Tourist Pilot Project up to the end of the year 2014 but the project had been completely abandoned by January 2015.
- (iii) A sum of Rs.66,402,253 had been estimated for the “Ruhunu Abhimanasala Project” and a sum of Rs.47,722,156 and Rs.215,900 had been spent from 2010 to December 2014 as project expenditure and security charges respectively. Nevertheless this had not been utilized even up to the dates of audit in January 2015.

(e) Office of the Deputy Director of Health Services – Matara

- (i) The ultra sound scanner and the x-ray machine received by the Deniyaya Hospital as donations had not been utilized.
 - (ii) The electric generator with the capacity of 35 kw. received by the Morawaka District Hospital as a donation in March 2006 had become inoperative for several years even by 11 November 2014. Action had not been taken to get it repaired, eventhough this generator was an essential equipment for the Hospital.
- (f) Despite the jeep bearing No.31-9396 which had been repaired in the year 2012 by incurring an expenditure of Rs.1,164,350 had not put for running after being repaired, it was proposed to auction at the auction held on 30 September 2014. As a response to the audit query issued on 29 September 2014 in this regard, this jeep had been returned to the Ruhunu Tourist Bureau on 21 October 2014 without being auctioned. Nevertheless, it was observed in audit that this vehicle was idle even by August 2015.

6.8 Uneconomic Transactions

The following observations are made.

(a) Governor’s Secretariat

A committee, consisting of 05 members, including the Chief Secretary had decided to create a book on Southern Province and to hand over all activities on that book to a person on 11 September 2014. The following observations are made in this regard.

- (i) A sum of Rs.4,250,129 had been spent to print the book without following the instructions of the Procurement Guidelines.
- (ii) In terms of the agreement entered into by the Chief Secretary with that person on 22 September 2014 in respect of printing of the book, it was agreed to give 150 books to the writer as the copyright out of the total copies of 500 books printed. The cost of 150 books amounted to Rs.1,275,000. However, the important matters such as the cost of it, ownership of the book or the objective of printing the books were not included in the agreement.
- (iii) According to the agreement, the final payment of 25 per cent of the total cost should be made only after receipt of all books. Contrary to that, all payments had been made by 31 December 2014 but the balance 350 book were received only on 27 February 2015.
- (iv) Accordingly, a cost as high as Rs.12,143 had been spent for one book and all those books had been stored even by the date audit on 06 May 2015. As such, the total expenditure of Rs.4,250,129 incurred there on, observed to be an uneconomic expenditure.

(b) Southern Province Revenue Department

A sum of Rs.341,000 had been spent for the conducting of workshop for 57 officers in Nuwaraeliya. Offices in the Department itself had also participated as resource persons and 3 private buses had been used for the transport of officers in addition to the use of a pool vehicle as well. Despite there were facilities to conduct such training programs within the Southern Province, the reason why this type of workshop had been held in a distance place was not made available for audit.

(c) Ministry of Southern Province Fisheries, Cultural, Food Supply and Distribution, Trade and Co-operatives Development

As a jeep belonging to the Ministry was malfunctioned due to a technical fault in Monaragala. The procurement committee had decided to hire a jeep at a monthly rental of Rs.200,000 on an undated letter but placing the date stamp as received on 11 August 2014. Despite there were 3 pool vehicles in the Ministry, a sum of Rs.800,000 had been paid to this hired vehicle for 4 months. Running charts relevant to this period were not made available for audit.

(d) Department of Animal Products on Health – Matara

- (i) A sum of Rs.1,220,240 for the purchase of electric generator for the seed incubator at Kekanadura Farm on 20 August 2014 and Rs.92,680 for the transport of generator, fixing cable and testing etc. had been paid on 11 November 2014 without the approval of the procurement committee. The relevant generator had been installed by 31 December 2013 in the farm but the incubator had been closed down since 10 June 2014 and as such the expenditure of Rs.1,312,920 incurred thereon had become fruitless.

- (ii) Eventhough 6 estimates valued at Rs.2,000,578 had been approved by the Divisional Secretary, Matara, for the repair of 06 incubators no sufficient financial provisions were available therefor and as such the Secretary to the Ministry had granted Rs.200,000 under the Provincial Development Projects. Accordingly, a sum of Rs.197,916 had been paid by December 2014 for this purpose. As the incubators had not been built at the specific standard, those had been closed without being used and as such this payment of Rs.197,916 had become a fruitless expenditure.

(e) Chief Secretariat

- (i) Despite an awareness workshop on 2015 budget had been held in the Wakwella Training Centre on 30 August 2014 by incurring an amount of Rs.112,123, another workshop for the same purpose had been held by the Southern Province Chief Secretariat on 25 November 2014 and a sum of Rs.654,500 had been paid to a hotel for this purpose. Eventhough the expenditure had been incurred for 200 officers who had participated, data in respect who had participated, program relating to the workshop and who were the resource persons etc. was not made available for audit. Similarly eventhough an advance of Rs.200,000 had been paid on 24 November 2014 for this workshop the final bill presented had not indicated about the receipt of the advance.
- (ii) A sum of Rs.828,800 had been paid to 2 institutions for a newspaper advertisement to commemorate HE the President for his 4th year of the 2nd inauguration as the President by the Chief Secretariat. It was observed in audit that this payment had been a fruitless expenditure incurred extraneous to the objective.

(f) Chief Minister's Office

A sum of Rs.4,348,000 had been spent during the year 2014 for the implementation of the following projects, contrary to the objectives of the Chief Ministry.

Projects -----	Value -----
	Rs.
- Printing of 150,000 numbers of "Dakshina Almanacs"	1,942,500
- Posting of 17,500 almanacs	437,500
- Printing of 800,000 time tables for 400,000 students	1,968,000

Total	4,348,000 =====

- (ii) Despite there were 13 pool vehicles in the Chief Ministry, the transport charges of Rs.50,000 had been paid to an external institutions to bring down question papers of the "Dakshina Jeevanee Pasel Denuma Minuma Tournaman".

6.9 Identified Losses

The following observations are made.

- (a) A sum of Rs.11,682,240 due from 186 retired employees of the following 2 institutions could not be recovered.

Institution	No.of Employees	Amount
-----	-----	-----
		Rs.
Southern Province Department of Education	158	11,234,867
Southern Province Department of Health Services	28	447,373
	-----	-----
	186	11,682,240
	=====	=====

(b) **Ruhunu Tourist Bureau**

(i) **Construction of the Tourist Information Centre at Deniyaya**

- * Payments had been made to the contractor without being deducted the discount of Rs.137,007 agreed by the contractor in forwarding quotations for the construction of the centre.
- * Overmeasuring of 0.804 cubic meters in concreting drain wall, a sum of Rs.12,060 had been paid.

- (ii) Eventhough payments had been made in accordance with the estimates for the repair of toilet system relating to the Madunagala thermal springs projects of the Bureau, a payment of Rs.35,244 included again in the measurement sheets as additional works had been made. In addition, despite 4 fish tank covers had not been built under the aquarium modification project, a sum of Rs.14,000 had been paid for this purpose.

(c) **Industrial Development Authority**

In the physical verification of the red clay manufacturing centre at Meetiyagoda belonging to the Authority on 02 March 2015, it was observed that a stock of chemicals valued at Rs.169,067 purchased from 2008 to 2011 could not be used due to redundancy.

- (d) The contract for the establishment of a biogas unit at the Beliatta drugs manufacturing workshop implemented by the Southern Province Ministry of Fisheries Cultural, Food Supply and Distribution Trade and Co-operative Development should have been completed as at 21 October 2013, but it had been handed over only in February 2015. However, the money had been paid to the contractor on 21 February 2014 before being completed the project but it was observed that demurrage charges of Rs.92,062 could not be recovered.

(e) **Southern Province Passenger Transport Authority**

According to a request made by the Divineguma District Officers and the Agricultural Research and Production Assistant Officers in Galle, Matara and Hambanthota from the Authority, a sum of Rs.1,304,500 had been paid to the private bus owners for the transport of officers by 28 buses to Bibila to participate in the training workshop held from 05 to 07 September 2014. A sum of Rs.464,500 of that had not been reimbursed up to the date of audit in March 2015. Eventhough the Ministry of Economic Development had been requested to reimburse this amount, it had not been reimbursed even by 15 October 2015.

(f) Southern Province Road Development Authority

- (i) A cab of the Authority had met with an accident on 18 March 2013 somewhere at Dikwella and a sum of Rs.182,458 had been paid for the repair of this vehicle but only a sum of Rs.159,470 had been paid by the insurance company on 05 September 2013 for this repair. Accordingly, the Authority had sustained a loss of Rs.22,988 and action had not been taken to recover the loss from the relevant parties having been made an inquiry.
- (ii) It was revealed in audit that running charts particulars of JCB machine bearing No. SPZA.2276 in 5 days from 25 to 29 October 2014 which had been used for the Kekandura – Rathmale- Dikwella road under the 2015 Deyatakirula Access Road Improvement Project had been spurious. Accordingly, it was observed in audit that the payment of Rs.60,690 made for the machine for those 5 days had been a loss to the Authority.
- (v) The contract for the supply of ABC at Rs.2,729 per cubic meter for a few roads developed under the Provincial Roads and Unfinished Road Development Project (Matarara) implemented by the Authority had been awarded to the private company. This contractor had submitted the invoice No.3891 for the 275.6 cubes supplied during the period from 07 to 09 November 2011 and the bill related to it had been checked recommended and approved. Accordingly, the amount payable was Rs.886,957. However a sum of Rs.1,237,376 had been fraudulently paid to another institution on a bill subsequently submitted at Rs.4,000 per cubic meter on 25 May 2012. Accordingly, the Authority had a loss of Rs.350,419.
- (g) Action had not been taken to handover the mobile telephone valued at Rs.23,200 purchased on 17 April 2013 by the Southern Province Development Authority and given to the former Chairman when he left the Authority.

6.10 Weaknesses in Contract Administration

Southern Province Passenger Transport Authority

The following deficiencies were observed in the projects implemented under the Provincial Specific Development grants for the year 2014.

- (i) A sum of Rs.159,222 had been paid to the Suriyawewa Pradeshiya Sabha for the repair of Suriyawewa Bus stand Drainage System. According to the work item in the estimate, 91 concrete covers had been made by using less than 10 mm.wires with 450 mm in length as per the plan. Accordingly the concrete covers fixed had not been up to the standard.
- (ii) The contract for the repair of Ambalangoda Bus Stand Yard by laying asphalt had been awarded to the Ambalangoda Urban Council at an estimated value of Rs.330,614. In terms of procurement Guideline 5.4.1, an agreement had not been entered into in this contract and the physical verification observed that an overpayment of Rs.149,929 had been made for work not done.
- (iii) Overstating the measurement sheets by 265.94 square meters relating to the first asphalt coating in repairing Uragasmanhandiya Bus Stand, a sum of Rs.90,154 had been paid to the construction society.

- (iv) In the repair of Uduwila Bus Stand, a sum of Rs.53,464 had been paid to 188.92 square meters for painting twice tolerant to the whether condition on the walls under item No. 4 of the estimate, eventhough it was observed in audit that only one coat had been applied.

6.11 Delayed Projects

The following observations are made.

(a) Elpitiya Zonal Education Office

Three projects valued at Rs.145,000 in the year 2013 and 5 projects valued at Rs.139,050 in the year 2014 had been commenced from the receipt of Councillors provisions but those projects had not been completed even by 03 December 2014.

(b) Office of the Director of Health Services

Eventhough it was stated that the projects relating to the Health Development Program approved by the Secretary to the Chief Minister, Finance and Planning, Law and Order, Transport, Water Supply and Drainage should be implemented and completed within the year 2014 itself, 12 projects for which provisions of Rs.4,301,289 were made had not been implemented during the year 2014.

(c) Ruhunu Tourist Bureau

(i) The purposed Regional Tourist Guidance Training Program, the estimated value of which was Rs.500,000 under the provincial specific provisions had been abandoned without being implemented.

(ii) Although the following projects had been commenced, they had been abandoned without being completed.

Project	Estimated cost	Date of Commencement	Expenditure up to 31 December 2014	Reasons for Abandonments
	Rs.		Rs.	
Preparation of an information system	4,490,000	23.12.2013	898,000	This project was identified as very complex and costly
Construction of the Ambalangoda Rest House	-	28.07.2012	5,365,072	Non receipt of sufficient money.

(d) Department of Probation and Child Care Services

As provisions had been made without a formal estimate and a plan, out of the provisions of Rs.800,000 given to two projects of the Department under the Provincial Specific Development grants for 2014, a sum of Rs.716,502 was saved without being implemented the relevant projects.

(e) Social Services Fund

In terms of Section 2 of the Social Services Statute No.02 of 2002 of the Southern Provincial Council, the primary objective of the Social Services Fund is to provide decease aids, bursaries and housing aids to poor, destitute and disabled people living

in the Southern Province. Out of the provision of Rs.11,741,050 received during the year under review as Provincial Councillors provision, proposals valued at Rs.2,548,071 which reported 22 per cent had not been implemented.

(f) **Ministry of Sports, Youth Affairs, Rural Industries, Rural Development, Tourism, Economic Promotion, Social Welfare, Probation and Child Care Services, Women Affairs, Housing and Construction, Manpower and Employment**

Eventhough the construction of 400 meters runway in the Baddegama Sports Development Centre had been commenced in the year 2011, it had not been completed even by 31 December 2014. Out of the provision made in the year 2012, a sum of Rs.45,319,030 had been transferred to the General Deposit Account with the approval of the Chief Secretary of the Southern Province out of which a sum of Rs.22,290,235 or 49 per cent had saved as at 31 December 2014.

(g) **Deputy Chief Secretary's (Planning and Operations) Office**

(i) **Provincial Specific Development Plan**

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- According to the Appropriation Account of the year 2014, the expenditure under the Provincial Specific Development grants amounted to Rs.1,313,801,216 whereas according to the progress reports of the projects under the Provincial Specific Development grants presented to audit, such expenditure was Rs.794,739,379. Accordingly particulars about the projects, valued at Rs.519,061,837 had not been included in the progress report.
 - Provisions of Rs.548,024,856 had been approved for new works for the year 2014 but expenditure out of this amounted to Rs.256,140,622 or only 46.74 per cent.
 - Out of the provisions made for the continued work of the year 2014 amounting to Rs.772,536,591, only a sum of Rs.538,598,757 or 70 per cent had been spent.
 - The overall projects planned to be implemented during the year under review amounted to 1198 and the provisions made thereon amounted to Rs.1,320,561,447. The expenditure incurred as at 31 December 2014 amounted to Rs.794,739,379 or 60 per cent only from the provisions. Out of the 660 new projects planned to be implemented during the year 2014, only 531 or 80 per cent of the total projects had been completed as at 31 December 2014. Further, out of the 538 continued projects planned to be implemented during the year 2014, only 478 projects or 89 per cent had been completed by 03 December 2014.
 - Although the total provision of Rs.6,756,600 approved for the 6 new work projects under the alternative energy had been fully spent by 31 December 2014, the physical progress of those projects had ranged from 51 per cent to 75 per cent.

(ii) **Criteria Based Development Plan**

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- The approved amount for the implementation of proposed new work in the year 2014 under the Southern Province Criteria Based Development Plan was

Rs.195,561,359 and the actual expenditure incurred in the year was Rs.119,750,184 or 61.23 per cent of the total provision.

- Number of projects proposed to be implemented during the year was 302 out of which only 174 had been completed as at the end of the year, representing 57.62 per cent of the total projects. Number of projects not commenced as at 31 December amounted to 81 or 26.82.
- Particulars of allocation of provisions for new projects in the year 2014 and expenditure among the 5 Ministries are given below.

Name of Ministry	Provisions Made	Cumulative Expenditure	Percentage	
			As a Total Provision	Compared the Provision with Expenditure
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	Rs.	Rs.		
1. Ministry of Chief Minister, Finance and Planning Law and Order, Local Government, Transport, Health and Indigenous Medicine, Tourism and Engineering Services	84,947,696	28,080,382	43.43	33.06
2. Ministry of Fisheries, Animal Products and Development, Environmental Affairs, Rural Industries, Power and Rural and Estate Infrastructure Facilities Development.	41,555,060	37,312,167	21.25	89.79
3. Ministry of Sports, Youth Affairs, Rural Industries, Rural Development, Tourism Economic Promotion, Social Welfare Probation and Child Care Services, Women Affairs, Housing and Construction Manpower and Employment.	34,371,820	24,249,009	17.58	70.55
4. Ministry of Agriculture, Agrarian Development, Irrigation, Water Supply and Drainage, Food Supply and Distribution, Trade and Co-operative Development	21,894,783	21,627,985	11.20	98.78
5. Ministry of Education, Land and Land Development, Highways and Information	12,792,000	8,480,641	6.54	66.30
Total	195,561,359	119,750,184	100.00	61.23
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The following observations are made in this regard.

- Out of the provision under the Chief Ministry, a sum of Rs.30,000,000 or 35.32 per cent of the total provision had been allocated under the Southern Province Development Authority but only a sum of Rs.8,050,579, or 26.84 had been spent. Similarly, out of the 96 projects proposed to be implemented during the year, only 16 projects or 16.67 per cent had been completed. Works of 70 projects representing 72.92 percent of the total projects had not been commenced even up to 31 December 2014.
- A provision of Rs.50,663,997 had been made for 57 continued projects in the year 2014 but only a sum of Rs.39,484,993 out of it or 77.94 per cent had been spent. Out of the total provisions a sum of Rs.38,320,838 or 75.64 per cent had been allocated to the Ministry of Chief Minister, Finance and Planning, Law and order, Local Government Transport, Health and Indigenous Medicine, Tourism and Engineering Services.
- It was observed that many projects proposed to be implemented under the Southern Province Development Authority had come under a Ministry or other institution (A Department/ Authority) established within the Provincial Council. It was observed in audit that despite there were institutions which had human resources with expertise knowledge in the relevant subject and other resources, assigning such projects to the Southern Province Development Authority without such resources with expertise knowledge might tend to various discrepancies.

(iii) Criteria – Based (Councillors Provisions) Plan

- A provision of Rs.182,961,409 had been approved for 2022 projects for the year 2014, out of which a sum of Rs.172,052,409 or 94 per cent of the approved provision had been released from the Chief Secretariat. However only a sum of Rs.88,281,531 or 51 per cent of the released amount had been spent during the year. Accordingly, a sum of Rs.83,770,878 had remained in various institutions as at 31 December 2014.
- According to the progress reports only 1048 projects, out of the approved projects of 2022 for the year had been completed, representing 51.83 per cent of the total projects. Works of 250 project had not been commenced during the year under review, representing 12.36 per cent.
- Due to release of money immediately being approved the projects without forecasting the money requirement, period for incurring expenditure it was observed that lots of money had been retained in the various institutions as at the end of the year under review. Similarly it was observed that money had been sent by debiting the expenditure objects and as such the unspent money had also been accounted as the expenditure of the year. Accordingly, the position shown in the appropriation accounts was not accurate. In that manner, it was observed that out of the money released to the Southern Province Development Authority for various projects during the period from 2011 to 2014, a sum of Rs.31,043,123 had been retained by the Authority by 15 June 2015 without being utilised for the relevant projects.

- Certain projects included in the projects valued at Rs.31,043,123 given to the Southern Province Development Authority were inoperative projects and no proposals were received for certain projects. It was also observed that works of certain projects were not commenced whereas information required for the implementation of certain projects was not received by the Authority.

Particulars in this regard are given below.

Description	No.of Projects	Amount
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		Rs.
- Inoperative	20	4,959,500
- Work not commenced	08	1,440,000
- Non-availability of information for implementation	15	2,211,715
- Balance money after being implemented the projects	07	193,807
- Work proposals not received	07	1,539,730

Total		10,344,752
		=====

6.12 Commencement of Projects in the Lands/ Properties formally not Vested

Without being legally vested the ownership of the land and buildings in the Industrial Development Authority belonging to the Bogahapelassa Textile Centre to be used for the commencement of Tourist Resort Project under the estimated value of Rs.6,705,600 project activities had been commenced.

6.13 Resources given to the other Government Institutions/ Resources belong to the External Parties

The following observations are made.

- Eight teachers in the staff of a Maha Vidyalaya in Matara District had been released on fulltime basis to the service of another schools and Zonal Education Offices, having being drawn their salaries from that Maha Vidyalaya.
- Two motor vehicles belonging to the Ministry of Southern Province Education. Lands and land Development had been given to the Kirinda – Puhulwella Pradeshiya Sabha and the Southern Province Road Development Authority.

6.14 Personnel Administration

6.14.1 Southern Province Education Service

The following observations are made.

- As action had not been taken to balance the academic and non-academic staff of the Southern Province Education Service, out of 1050 Southern Province Schools, there were 2224 excess teachers in 516 schools and 1842 shortages in 412 schools. The approved non-academic staff relating to each school in the Galle Zonal Office was not made available for audit. Except this Zone out of 576 schools in other zones for which a non-academic staff was approved, 288 excess staff in 178 schools and a shortage of 548 employees in 277 schools.

- (b) Annual transfers of the Southern Province Education Service had not been properly carried out and lots of temporary attachments had been made on requests made by the officers instead. As a result, the shortage in the Permanent Service Station and the excess in the attached institutions had not been depicted. It was observed that this position adversely had affected the quality development of the Southern Province Education Service.
- (c) Twenty four officers of the academic and non- academic staff belonging to the Southern Province Education Service had obtained 1560 days no-pay leave in the year 2014. It was observed that these officers usually take no-pay leave every year as a habit.
- (d) Twelve persons recruited to the various posts in the Southern Province Education Service had been released to the Minister of Southern Province Education, Land and Land Development, Highways and Information. The Southern Department of Education had a sum o Rs.2,665,624 as their salaries during the year 2014.
- (e) An Assistant Teacher in a Maha Vidyalaya in Matara District had been released to the Southern Province Ministry of Education since 21 April 2014 and a sum of Rs.198,442 had been paid to him as salaries during the year 2014.
- (f) Three officers belonging to the Southern Province Education Service had been released to the staff of the Southern Province Chief Minister. Their salaries of Rs.1,288,056 for the year 2014 had been paid by the Southern Province Department of Education.
- (g) Four teachers belonging to the Southern Province Education Service had been released to the various institutions and the Southern Province Department of Education had paid their salaries amounting to Rs.1,447,800 only in the year 2014. In addition 18 teachers belonging to the Southern Province Education Service had been released to the National Students Force/ Security Forces and their salaries of Rs.6,285,386 had been paid by the Southern Province Department of Education during the year 2014.
- (h) Eventhough the Akuressa Zonal Education Office had paid salaries to a person since August 2014, the zonal Director of Education had informed the audit on 04 September 2015 that he did not know any information about this person, such as date of recruitment post institution by which he was recruited date of assumption of duties attendance of in and out in the attached institution, type of duties per formed etc. It was revealed in audit that a sum of Rs.135,210 had been paid as his salaries in the year 2014.

6.14.2 Provincial Health Service

Cadre position as at 31 December 2014 is given below.

Employee Category	Approved Cadre	Actual Cadre	No.of Vacancies	No.of Excess Staff
Senior Level	1069	766	303	-
Tertiary Level	240	172	68	-
Secondary Level	4681	3750	931	-
Primary Level	3068	2421	862	215
Total	9058	7109	2164	215

- (i) It was observed that out of the above vacancies, 22 had been in the office of the Director of Health Services, out of which 12 had been in higher level posts.
- (ii) Without proper approval 215 excess employees in the primary level had been recruited.

7. Accountability and Good Governance

7.1 Action Plan

An action plan should be prepared in terms of paragraph 3 of the Public Finance Circular No.01/2014 dated 17 February 2014 the Southern Province Development Authority had not prepared the action plan even by 31 December 2014.

7.2 Procurement Plan

The Southern Province Development Authority had not prepared the annual Procurement Plan in terms of National Budget Circular No.128 of 24 March 2006 even by 31 December 2014.

7.3 Unresolved audit paragraphs

The following matters were observed.

- (a) Replies to 24 audit queries had not been presented up to 30 September 2015. The value of transactions subjected to those audit queries can be computable at Rs.244,668,464.
- (b) Eight orders given by the Provincial Committee on Accounts to the Southern Province Road Development Authority on 11 and 12 December 2014, 26 January 2015 and 27 April had not been implemented even by 31 August 2015.
- (c) Nine orders given to the Southern Province Development Authority by the Provincial Committee on Accounts on 23 March and 07 April 2015 had not been implemented even by 31 August 2015.

8. Systems and Controls

Weaknesses in systems and controls observed during the course of audit had been brought to the notice of the Heads of institutions of the Provincial Council and the Chief Secretary from time to time special attention is needed in respect of the following areas of control.

- (a) Accounting
- (b) Assets Management
- (c) Personnel Administration
- (d) Implementation of Projects
- (e) Contract Administration
- (f) Vehicle Utilization
- (g) Stock Control
- (h) Funds Management