

Southern Provincial Council - 2017

The audit of financial statements of the Southern Provincial Council for the year ended 31 December 2017 comprising the statement of financial position as at 31 December 2017 and the 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 Auditing 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 Bases 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 2017 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 Presentation of Accounts

(a) Provincial Council Fund Account

The Southern Provincial Council Fund Account of the year under review had been presented to audit on 30 March 2018. That account had been revised and presented again on 19 April 2018 and after issuing draft audit report on 06 June 2018 the revised accounts had been presented on 28 June 2018.

(b) Other Accounts

The position of presentation of other accounts as at 31 May 2018 is given below.

	Total Number of Accounts	Number of Accounts Presented
(i) Appropriation Accounts	25	25
(ii) Revenue Accounts	28	28
(iii) Advances to Provincial Public Officers Account	90	90
(iv) Commercial Advance Accounts	10	10
(v) Fund Accounts	07	07
(vi) Statute Accounts	05	05
Total	165	165

2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A balance of cash in transit amounting to Rs.25,353,896 shown in 04 accounts as at 31 December of the year under review had not been received even by 30 June 2018 as such it was observed that, above value was not a cash in transit.
- (b) The net profit of Rs.2,546,670 of the Maintenance of Kekanadura Poultry Farm and Hatchery, Item No.31202, net profit of Rs.292,175 of the Commercial Advance

Account of Kekanadura Animal Husbandry Training Centre, Item No.31203 and the net profit of Rs.10,312,745 of the Commercial Advance Account of Wakwella Management and Development Training Centre, Item No.32048 had not been transferred to Revenue Transfer Code No.2003-02-22.

- (c) Despite that, a sum of Rs.15,650,000 had remained as savings as at 31 December 2017 out of the sum of Rs.18,650,000 granted to Southern Provincial Development Authority through the Ministry of Chief Minister, Finance and Planning, Law and Order, Local Government, Transport, Health and Indigenous Medicine, Tourism and Engineering Services to incur under the Object of Rehabilitation and Improvement of Capital Assets in the Office of the Chief Secretary, the Chief Ministry had reported to the Office of the Chief Secretary through monthly accounts summaries that the entire amount had been spent.

2.2.3 Unreconciled Control Accounts

The differences were observed between the balances relating to 03 items of accounts and 49 accounts of the Local Government Institutions totalling Rs.2,192,646,151 shown in the Provincial Fund Account presented to audit and the balances shown in subsidiary registers and the reports therein. The differences observed in audit amounted to Rs.839,682,919.

2.2.4 Unexplained Differences

A difference of Rs.12,569,723 was observed between the balances of inter-provincial debtors and creditors relating to 11 Zonal Education Offices situated within the Southern Province.

2.2.5 Receivable and Payable Accounts

Advances to Provincial Public Officers Account

- (a) The loan balances totalling Rs.30,816,573 which should be further recovered from 824 officers had included in the balance of Advances to Provincial Public Officers Accounts amounting to Rs.1,235,649,214 as at the end of the year under review as described below.

Particulars	Number of Officers	Balances to be Recoverable
-----	-----	-----
		Rs.
Station Transfers	552	21,372,914
Retired & Deceased	207	7,075,391
Interdicted	25	1,115,470
Vacated of Posts/ No Pay	40	1,252,798
Leaves		
	-----	-----
	824	30,816,573
	=====	=====

- (b) The total of loan balances to be settled in respect of 503 officers transferred from Southern Provincial Institutions, Other Provincial Councils and Central Government Institutions amounted to Rs.20,535,308.

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

Instances of non-compliance with the following laws, rules and regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) Establishments Code of the Democratic Socialist Republic of Sri Lanka. ----- Chapter IX Section 2.2	536,774	Even though, a 10 per cent should have been deducted from the fees paid to the resource persons and credited to the Consolidated Fund by the Wakwella, Management and Development Training Institute, action had not been taken to recover a sum of Rs.536,774 or 10 per cent from the sum paid to the resource persons participated for the training programmes in this Institution amounting to Rs.5,367,740 and credited to the Consolidated Fund.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka. ----- Financial Regulation 571	70,968,421	Action had not been taken on 459 balances of General Deposits relating to 10 institutions deposits made older than 2 years.
(c) Provincial Financial Rules -----		
(i) Rule 259.2	277,815,207	The imprest account as at 31 December of the accounting year should be settled and the balance of the imprest should be settled to the Provincial Treasury as at 10 January of the subsequent year or before the date fixed by the Provincial Treasury. Nevertheless, 03 imprest balances totalling Rs.277,815,207 out of the imprest account balances unsettled amounting to Rs.392,441,520 had not been settled even by 30 April 2018.

(ii) Rule 282.3 - Even though, the Bank Reconciliation Statements should be prepared properly and presented to the Auditor General before 15 day of the month following, the action had not been taken as to execute that requirement in 29 instances relating to 03 bank accounts of the Southern Provincial Department of Motor Traffic.

(iii) Rule 283.4 4,919,377 Action had not been taken on 345 cheques which issued and not presented for payment and elapsed 06 months period relating to 15 bank current accounts of 05 institutions.

(d) Circulars

(i) Section 03 of the Public Finance Circular No.01/2012 dated 02 January 2012. 9,065,512 In various constructions carried out in the institutions belonging to the Department of Industries Development under the Provincial Specific Development Grants, nine projects had been carried out through approved societies. In awarding direct contracts to the Community Based Organisations, the assigning of contract works to the suitable community based organisations should be recommended by a committee of 3 persons comprising 2 persons nominated by the Head of the Department and the Divisional Secretary of the area after examining the suitability of the relevant societies. However, action had not been taken accordingly,

(ii) Circular No.18/2001 of the Secretary of the Public Administration, Home Affairs and Administrative Reforms dated 23 August 2001. The officers who had employed in one service station for maximum of 05 years should be transferred immediately according to the general policy of the station transfers of officers of the Combined Service, Provincial Public Service and Departmental Service. Nevertheless, 30 Officers in the

Southern Provincial Ministry of Chief Minister, Finance and Planning Law and Order, Local Government, Transport, Health and Indigenous Medicine and Tourism and Engineering Services had employed there for a period ranging from 06 years to 19 years.

(e) Procurement Guidelines 2006

- | | | | |
|------|-----------------|-----------|--|
| (i) | Paragraph 2.9.1 | 366,500 | The examination of Tender documents or any other work relating to that should be done by the members outside the office hours and it was compulsory to meet at least twice outside the normal duty hours relating to the tender decision taken to entitle for the payments. Nevertheless, all meetings and decisions of the procurements taken by the Southern Provincial Chief Ministry had been carried out during duty hours and the allowances also had been paid to 08 officers during the year under review. |
| (ii) | Paragraph 3.6.1 | 3,990,000 | Even though, repeat orders could be made up to a limit of 50 per cent of the original procurement value within 06 months period from the original procurement date, the Chief Ministry had purchased 2 Operation Microscopes. |

2.2.7 Transactions not supported by Adequate Authority

- (a) Programme of providing motor-bicycles to the members of the Local Authorities by the Southern Provincial Department of Local Government.
- (i) According to the information furnished to audit by the Southern Provincial Department of Local Government, 628 motor bicycles and scooters had been issued in two stages. Accordingly, 55 motor bicycles and scooters had been issued more than the approved number of members for 27 Local Authorities situated in 3 Districts.
 - (ii) According to the information furnished to audit by the Southern Provincial Commissioner of Local Government, it was ensured that 166 members who obtained motor bicycles in 1st stage had not paid the payable money up to 8

November 2017. Accordingly, the recoverable money by the Government amounted to Rs.8,290,000.

- (iii) Even though, 29 public representatives of the Local Authorities who had been provided motor bicycles in 1st stage had stated that they had paid money for the motor bicycles, the date of money paid or respective receipt number had not been indicated.
 - (iv) Instances were observed that the officers who obtained motor bicycles as Government officers had obtained motor bicycles again as members of the local authorities. The information of 7 such officers was revealed during the course of audit test check.
 - (v) Even though, the money recovered for providing motor bicycles should be sent immediately to the Department of National Budget, a sum of Rs.500,000 recovered by the Southern Provincial Department of Local Government had been retained in the General Deposit Account up to 15 November 2017.
- (b) As per letter of the Secretary of the Governor No.G/SP/1/15 dated 11 May 2011, it was informed, that the consent of the Governor had received to follow Working Procedure Rules of the Public Service Commission with required differences until prepare and approve the Set of Rules of Working Procedures which was a subject applied to the Southern Provincial Public Service Commission. Nevertheless, a Set of Rules of Working Procedures had not been prepared by the Southern Provincial Public Service Commission even by the end of the year under review.
- (c) A sum of Rs.608,350 had been paid in the year under review to the Southern Provincial Deputy Chief Secretary (Personnel and Training) as the supervision allowances for supervision of training programmes conducted by the Training Centre, despite that an officer of Sri Lanka Administrative Service – Class II and an officer of Class II/ III of that service had been approved and deployed in the service for the posts of Director and Deputy/ Assistant Director respectively. As the supervision of training activities of the Provincial Council was a permanent duty of him, it was irregular that the payment made as an extra allowance to him.
- (d) The instances of without complying the limits authorized by Annual Appropriation Statute of the year under review relating to the Provincial Public Officers Advance Accounts are given below.
- (i) There were 03 instances of exceeding the maximum expenditure limit ranging from Rs.113,951 to Rs.3,092,770 were shown.
 - (ii) There were 02 instances which not reached to the minimum receipt limit by Rs.130 and Rs.243,368.
 - (iii) There were 05 instances which exceeded the maximum limit of debit balance ranging from Rs.833 and Rs.20,501,431.

3. Revenue Management

The following matters were observed.

- (a) A description on tax and non-tax revenue earned by the Provincial Council for the year under review and 04 preceding years are given below.

Category of Revenue	2017	2016	2015	2014	2013
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions
Tax Revenue	7,724	6,440	5,654	4,864	4,039
Non-tax Revenue	1,068	789	650	546	717
Total	8,792	7,229	6,304	5,410	4,756

Tax and non-tax revenue for the year under review had increased by Rs.1,284 million and Rs.279 million or 20 per cent and 35 per cent respectively as compared with the preceding year.

- (b) A description of arrears of revenue as at the end of the year under review is given below.

Description of Revenue	Balance as at 01.01.2017	Assessment for the year	Collection during the year	Exemptions during the year	Balance as at 31.12.2017	Percentage of Recovery	Percentage of Exemptions
	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	Rs.Millions	%	%
Stamp Duty on property transfers	827.7	409.2	118.3	388.8	730.4*	9.56	31.43
Tax on Mineral Rights	4.8	5.8	0.7	6.4	5.2*	6.6	60.38
Business Turnover Tax	41.7	-	0.9	3.9	36.9*	2.16	9.35
Registration fees for drug traders	1.9	1.7	0.8	0.4	2.3*	22.22	11.11
Rent on Government Buildings	1.4	0.6	0.6	-	1.4	30.00	-
Court Fines	-	-	-	-	93.3	-	-

Recovery of fees from private buses	3.0	2.4	1.5	-	3.9	27.78	-
	-----	-----	-----	-----	-----		
Total	880.5	419.7	122.8	399.5	873.4		
	=====	=====	=====	=====	=====		

* In preparing arrears of tax as at 31 December 2017 the final balances of tax were computed through the debit notes and adjustments of debits of fines in addition to the assessments, recoveries and exemptions of fines.

The following matters were observed in this regard.

- (i) Out of the arrears of tax as at the beginning of the year under review and revenue assessed in the year relating to the revenue of stamp duty on transfers of properties, 9.56 per cent had been collected and 31.43 per cent had been exempted.
 - (ii) Out of the arrears of tax relating to the tax revenue on mineral rights as at the beginning of the year under review and revenue assessed for the year, 6.6 per cent had been collected and 60.38 per cent had been exempted.
 - (iii) Out of the arrears of tax relating to the Business Turnover Tax as at the beginning of the year under review 2.16 per cent had been collected and 9.35 per cent had been exempted.
 - (iv) On the observations stated in (b)(i) to (b)(iii) above, it was confirmed that when a low percentage recovered from the revenue assessed for the year under review and from the arrears, a high percentage of tax more than that had been exempted.
 - (v) Action had not been taken to recover arrears of buildings rent amounting to Rs.1.4 million recoverable from Government buildings belonging to the Provincial Council in the year under review.
 - (vi) Action had not been taken to recover arrears of tender revenue amounting to Rs.3.9 million recoverable from private bus owners in the year under review.
- (c) Arrears of revenue relating to the excise licences totalling Rs.17,314,302 had existed by 31 December 2017 and those arrears of revenue had not been categorised for which revenue code applicable for the revenue codes such as toddy taverns toll, toddy tapping licences and local and foreign liquor taverns toll.

4. Financial Review

4.1 Financial Results

According to the financial statements presented, the operations of the Provincial Council Fund for the year ended 31 December 2017 had resulted in a surplus of Rs.422,079,412 as against the re-stated deficit for the preceding year amounting to Rs.2,423,457,764.

5. Commercial Advance Accounts

Ten commercial Advance Account Activities had operated within the institutions belonging to the Southern Provincial Council and the observations thereon had been as follows.

- (a) The instances of non-compliance with the limits authorized by Annual Appropriation Statute relating to the year under review in respect of the Commercial Advance Accounts are given below.
 - (i) There were 6 instances which exceeded the maximum limit of debit balance as at the end of the year ranging between from Rs.79,212, Rs.13,223,657.
 - (ii) It was not reached to the minimum receipt limit in 02 instances by Rs.947,200 and Rs.1,236,027 respectively.
- (b) (i) Ten advance account activities with a profit totalling Rs.116,699,765 had existed before adjusting the hypothetical charges, in the year under review and after adjusting hypothetical charges, there were 05 advance accounts activities which shown a loss totalling Rs.210,804,497.
- (ii) The hypothetical charges in respect of Certified Seeds and Plantation Material Advance Account, Item No.31502 had not been adjusted in the preceding year and the year under review.

6. Operating Review

6.1 Management Inefficiencies

The following matters were observed.

- (a) Excise licence fees, fines and stamp fees totalling Rs.3,480,900 and fees for Excise accessory licences at the rate of Rs.100,000 had not been recovered even by 28 November 2017 from 03 licenced institutions belonging to Divisional Secretariat, Tissamaharamaya for the period from the year 2013 to 2017.
- (b) The following matters were observed in respect of recovery of long term taxes by the Divisional Secretariats.
 - (i) A sum of Rs.935,138 from 06 lessees as rent and fines for the lands belonging to the Divisional Secretariat, Tissamaharamaya provided under

long term lease basis for the year under review and a sum of Rs.860,404 from 03 lessees for the previous years had not been recovered.

- (ii) Action had not been taken to prepare a long term lease agreement for a telecommunication transmission tower constructed in the year 2013 by a private telecommunication company in a Government land situated in the area of Divisional Secretariat, Bentota without obtaining a proper authority from the responsible institutions and action had not been taken to earn a lease rent revenue for the Provincial Council.

- (c) Permanent electricity connection had not been given even by April 2018 for the sick room of which completed constructions in the year 2016 on the provisions of Rs.2,000,000 made in the year 2015 by the Southern Provincial Department of Social Welfare, Probation and Childcare Services. Therefore, the temporary electricity connection had been obtained insecurely from a building nearby and attendance for the sick people has been carried out.

- (d) The following observations are made on drug management process implemented in the regional drug stores and other health institutions belonging to the Southern Provincial Health Services.
 - (i) The value of out-dated drug stock as at 31 December 2016 in 2 regional drug stores, 4 base hospitals and in 39 hospitals and health institutions situated within the province amounted to Rs.19,988,383.

 - (ii) The value of the drug stock of quality failed remained in 03 regional drug stores, 04 base hospitals and 60 other hospitals and health institutions situated within the Southern Province amounted to Rs.10,173,634. Those were stored together with good quality drugs.

 - (iii) Nine hundred ninety six thousand out dated Calcium Lactate Tablets had remained in the regional drug stores, Hambanthota by 25 June 2017. But the quantity of tablets as per stock registers amounted to 946,000.

 - (iv) According to the Southern Provincial Financial Rule 57 (a)(ii), a committee to dispose outdated drug stocks should have been appointed by the Secretary of the Provincial Ministry of Health under the approval of the Southern Provincial Chief Secretary. Nevertheless, without complying that, the Southern Provincial Director of Health Services had appointed a committee and a part of the outdated drug stock which remained in the Regional Drug Stores, Hambanthota valued at Rs.1,325,422 had been destroyed.

 - (v) The drug stores of 44 hospitals and health institutions situated within the Southern Province had not been air-conditioned and deep-freezing facilities were not made available in 64 institutions. Generators were not made available in 49 hospitals and health institutions while generators available in 4 institutions had been in non-operative condition.

- (vi) It was reported that 180 units of 1306 L group and 300 units of 1361 J group of the surgical material named “Colostomy bags” (30mm) for which use temporary suspended had remained in the Regional Drug Stores, Hambantota. Even though, this surgical material for which use suspended was not suitable to utilize, 200 units out of that had been issued to Base Hospital, Tangalle. Similarly, a shortage of 80 units in the physical stock was also observed.
 - (vii) In handing over drug categories proposed to destroy with an approval of a Board of Survey of the year 2013 in the Regional Drug Stores, Hambantota, 91173 units of 11 items of drugs had not been handed over. The action for recovery of loss from the responsible parties for the shortage had not been carried out even up to the end of the year under review.
 - (viii) Even though, 2500 units of the drug named “Cafuroxine Axetile Tablets USP 125 mg” which was out-dated on 16 April 2017 had physically existed in the Base Hospital, Kamburupitiya by 27 June 2017 such a balance of stock was not shown in the stock registers. It was confirmed at the audit test check that, this category of tablets had been deducted from the stock registers more than the actual quantity of tablets issued when issuing drugs to the patients from the out-patient unit.
- (e) Even though, the Crematoriums of Weeraketiya and Katuwana constructed by spending Rs.18,742,215 from the provisions made available to the District Secretary, Hambantota through the Ministry of Economic Development in the year 2014 and the Ministry of Home Affairs in the year 2015 had been handed over to the respective Pradeshiya Sabhas on 03 March 2017, the actions of opening of said crematoriums for the public utilization had not been carried out up to August 2017.
- (f) As per the register of listing of schools obtained from the Department of Provincial Education, 1048 Provincial Council schools had existed within the Southern Province and the information called for audit in respect of 169 schools out of that had not been furnished to audit up to 15 December 2017. The following matters were observed in analysing the particulars of 887 schools including 08 schools which not included in the Register of Schools furnished to audit.
- (i) A shortage of tables and chairs in library and office which basically required to implement the educational activities of students and teachers without any hindrance had shown in 479 schools and excesses had existed in 38 schools.
 - (ii) Shortages of buildings such as science buildings with class rooms, home science buildings, agriculture units and computer units were shown in 466 schools and the instances also observed that the buildings in certain schools were not in proper standard.
 - (iii) There were 372 schools of which the buildings were not in suitable condition to use, but that buildings had been utilized further due to a shortage of the buildings.

- (iv) Two hundred and eighty four schools had existed with poor sanitation facilities for the students and the academic and non-academic staff and 289 schools had problems for obtaining clean drinking water. These water problems had arised due to the reasons such as not providing water properly throughout the school time, non-adequacy of water available to utilize throughout the day, water available not suitable for drinking purpose and non-adequacy of facilities to store water in the instances of availability of water.
- (v) It was observed that the lavatories has been newly constructing further under the project of “Near School Best School (NSBS)” and under the provisions of the Ministry of Education, despite that adequate lavatory facilities available in 11 schools. Accordingly, the schools had been selected by the educational authorities for constructing lavatories without paid attention relating to the requirements existing in the schools.
- (vi) The shortages of teachers as well as shortages of non-academic staff who required for carry out teaching activities properly had existed about in 297 schools. These shortages of teachers had remained since number of years in certain schools and it was observed, that there was a possibility to solve this problem through a proper balancing of teachers.
- (vii) As decrease of amount of students in several schools situated within the Southern Province, the physical resources provided for said schools were limited due to maintaining of those schools under a small amount of students. Several facilities provided for the schools with more students were not provided for these schools. Similarly, the human resources attached also had been under-utilized. In some instances, the required human resources were not made available. As per the information furnished to audit, 169 schools in which number of students less than 100 had existed. The summarised information thereon are given below.

Number of Students	Number of Schools
-----	-----
Students – 2 to 10	05
Students – 11 to 20	21
Students – 21 to 50	72
Students – 51 to 99	71

Total	169
	=====

- (viii) As the roads to private houses were situated across the school premises in 07 schools, it was badly affected to the security of the students and the physical resources of the schools.
- (ix) Due to a very bad smell spreading from a rubber manufacturing factory situated very close to the G/Dorape Maha Vidyalaya, the obstructions were occurred to conduct the school activities.

- (g) The Southern Provincial Commissioner of Motor Traffic and the Chief Accountant of the Chief Ministry had been appointed in 2 instances in the year 2017 as acting Managing Director of the Ruhunu Tourism Bureau. The following matters were observed in this connection.
- (i) In the case of appointing for an acting post of an officer whose appointment is not made by Cabinet the appointment should be made by the appointing authority in terms of Section 1.3.1 (a) of Chapter II of the Establishments Code of Democratic Socialist Republic of Sri Lanka. Nevertheless, the approval of the appointing authority had not been received for the respective appointments.
 - (ii) The Provincial Public Service Officers had been appointed to act as above without being released in terms of Section 2 of the Chapter V of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Section 142 of the Chapter xii of the Working Procedure Rules Guidelines of the Public Service Commission of Democratic Socialist Republic of Sri Lanka.
- (h) A sum of Rs.50.8 million had been spent by the Ministry of Southern Provincial Chief Minister, Finance and Planning, Law and Order, Local Government, Health and Indigenous Medicine, Tourism and Engineering Services from the year 2012 up to the year under review for Mothers Health Social Development Programme while the performance indicators had not been determined to evaluate the success of each programme. As such it was not possible to reveal whether the programme had been in success and the expected objective was achieved.
- (i) A veterinary medical officer who employed in the Office of the Assistant Director of the Galle District Directors Office belonging to Department of Animal Production and Health had obtained foreign study leave with pay from 12 August 2011 to 27 August 2013 and proceeded abroad. As she had not reported for work back the Provincial Director had informed that action will be taken to consider as she had vacated the post from 25 September 2013. Nevertheless, no response from the officer relating to that had been received. Therefore, as the compulsory agreed period was not completed it was informed to take action to pay agreed amount of Rs.397,920 on 20 March 2014. But action had not been taken to recover said amount even by 31 December 2017 and a notice of the vacation of post also had not been issued.
- (j) Even though, a sum of Rs.27,502,824 had been incurred from the year 2015 to 2017 to construct 09 ponds in a section of the land in an extent of 0.0818 hectares belonging to Ridiyagama Animal Farm for the project of production of fry fish to fingerlings, action had not been taken to commence the operational activities of the project.
- (k) A sum of Rs.4,328,667 had been incurred by the Southern Provincial Industries Development Authority from the year 2012 up to the year under review to create an Industries Information System. The expenditure incurred was not become an effective expenditure as the possibility of carrying out the operational activities of the system had only with the institute alone who created the information system and it was not

possible to update the system as required by the Authority. As such the objective of the institution was not executed.

- (l) Even though, a sum of Rs.11,112,600 had been incurred by the Ministry of Fisheries, Animal Production and Development, Environmental Activities, Rural Industries, Power and Rural Estate Infrastructure Facilities from the year 2014 to 2016 under Southern Provincial Development Plan to purchase building modernizations and equipment to commence a Post-Harvest Production Institute in Kudawella, the operational activities of the Post-Harvest Centre had not been commenced.
- (m) According to the Performance Report prepared and furnished by the Office of the Deputy Chief Secretary (Planning) in the year under review, 61 new work proposals amounting to Rs.44,909,000 had been approved after 25 December 2017.

6.2 Operating Inefficiencies

Activities Contrary to the Main Functions

One of the main functions of the Ministry of Chief Minister, Finance and Planning, Law and Order, Local Government, Transport, Health and Indigenous Medicine, Tourism and Engineering Services was to protect of law and order and ensure the public security in the area of the Southern Provincial Council and assist to the civil control thereon, under the powers vested by the 13th Amendment of the Constitution and Provincial Councils Act No.42 of 1987. Nevertheless, 21 nescafe machines, 19 buffet sets and 950 plastic chairs had been purchased and distributed to the Office of the Chief Secretary, District Secretariat and 19 Divisional Secretariats by incurring a sum of Rs.2,584,000 out of the provisions allocated under the Object of Law and Order.

6.3 Development and Improvement of Provincial Roads

The following matters were observed in respect of Renovation of Watugedara – Seenigoda Road and the Access Road to G/Vidya Samadhi Pirivena by the Southern Provincial Road Development Authority.

- (a) As preparing estimates on erroneous unit price in preparation of estimates relating to Renovation of Watugedara -Seenigoda Road implemented under the financial provision made by the District Secretariat, Galle, a sum of Rs.485,040 had been over paid to the contractor for the asphalt supplied to this road.
- (b) A sum of Rs.140,560 had been overpaid to the contractor due to obtain measurements erroneously in taking measurements of work done of 2 roads renovated.
- (c) Even though, a sum of Rs.1,991,716 had been paid to the contractor as Value Added Tax, the proper tax invoices had not been obtained from the contractor. Even though, the copies of the tax invoices obtained after issuing the audit query had been furnished to audit, no particulars such as invoice number, date, name, address, the signature of the person prepared the invoice and the signature of the authorized person were not included thereon. Because of this reason, it was not ensured that, these taxes had been paid to the Department of Inland Revenue properly.

6.4 Utilisation of Funds

A summarised description on the total net provision and the expenditure made out of that and the savings of provisions of the Objects which shown the savings exceeded 50 per cent in the year under review is given below.

Description of Expenditure	Number of Objects	Net Provision	Actual Expenditure	Savings of Provisions	Savings as a Percentage of Net Provision
		Rs.	Rs.	Rs.	%
Recurrent Expenditure	151	1,233,888,881	468,662,969	765,225,912	62
Rehabilitation and Improvement of Capital Assets	31	505,228,164	109,364,712	395,863,452	78
Acquisition of Capital Assets	5	85,310,938	15,379,239	69,931,699	82
Provincial Specific Development Grant	10	539,227,105	215,672,316	323,554,789	60

The following observations are made in this connection.

(a) Provincial Recurrent Expenditure

- (i) Entire net provisions totalling Rs.124,437,000 made for 34 Objects under 12 Heads had been saved.
- (ii) Out of the net provisions totalling Rs.1,109,451,881 made for 117 Objects under 17 Heads, the savings after the expenditure incurred totalled Rs.640,788,912 ranging from 50 per cent to 99 per cent.

(b) Rehabilitation and Improvement of Capital Assets

- (i) Entire net provisions totalling Rs.124,764,600 made for 13 Objects under 07 Heads had been saved.
- (ii) Out of the net provisions totalling Rs.380,463,564 made for 18 Objects under 7 Heads, the savings after the expenditure incurred totalled Rs.271,098,852 ranging from 55 per cent to 96 per cent.

(c) Acquisition of Capital Assets

Out of the net provisions totalling Rs.85,310,938 made for 05 Objects under 04 Heads, the provisions totalling Rs.69,931,699 ranged from 66 per cent to 100 per cent had been saved.

(d) Provincial Specific Development Grants

Out of the net provisions totalling Rs.539,227,105 made for 10 Objects under 04 Heads, the provisions totalling Rs.323,554,789 ranged from 50 per cent to 92 per cent had been saved.

6.5 Idle and Under-utilized Assets

The following matters were observed.

- (a) Fifteen medical equipment valued at Rs.8,229,850 purchased in the years 2016 and 2017 for the establishment of Dialysis Unit of the Balapititya Base Hospital had remained idle even by 30 May 2018.
- (b) Under the provisions of the Members of the Provincial Council, 8552 school bags totalling Rs.7,857,860 and 19348 exercise books and 6026 sets of exercise books totalling Rs.3,773,400 and school equipment totalling Rs.3,638,201 purchased in the preceding year and in the year under review by the Southern Provincial Ministry of Education, Land and Land Development, Highways and Information through 02 projects had remained in the stores of the Ministry and Zonal Education Offices without being distributed to the school children who were beneficiaries even by 30 April 2018.
- (c) Even though, a sum of Rs.8,250,624 had been incurred from the year 2015 to 2017 to convert Thalunna herd centre as a Thalunna milking cow model farm which belonging to the Department of Animal Production and Health, the operating activities had not been commenced due to non-availability of basic factors to commence the farm such as grass, water and human resources.

6.6 Uneconomic Transactions

Seventeen programmes for which officers participated less than 50 per cent from the officers invited for the internal training programmes conducted by the Wakwella Management and Development Training Centre during the year under review were observed. The trainees had not informed by written in the instances that they could not be participated for the training courses. Further, it was not observed that other officers had been participated on behalf of officers of not participated. Even though, it was mentioned in the letter informing the officers, to participate that the respective expenditure will be deducted from their salary if they were not participated, that also had not been carried out.

6.7 Procurements

The following matters were observed.

- (a) In purchasing goods under the grants for arts institutes (Kalayathanaya), the Southern Provincial Ministry of Sports and Youth Affairs, Rural Development, Cultural and Arts, Social Welfare, Probation and Child care Services, Women's Affairs and Home Economic Promotion, Housing and Construction, Manpower and Employment had purchased substandard goods at higher prices. In this context, a loss of Rs.147,350 had been incurred, due to purchases had been made from registered suppliers at

higher prices by rejecting lower prices for 07 varieties of musical playing equipment. These musical playing equipment received in February 2017 had been kept in the “Sandaliya” Cultural Centre without being handing over to the respective arts institutes (Kalayathanaya) even for the period of 08 months. It was revealed at the physical examination carried out on 11 October 2017, that 22 “Yakbera” purchased as above had remained as could not be used.

- (b) In purchasing of 100 pairs of volley ball posts valued at Rs.1,085,000 to distribute among the sports clubs by the Ministry of Southern Provincial Sports and Youth Affairs, Rural Development, Cultural Affairs and Arts, Social Welfare, Probation and Child care Services, Women’s Affairs and Home Economic Promotion, Housing and Construction, Manpower and Employment, the recommendations of the Technical Evaluation Committee had not been obtained before taking the first Procurement Committee decision while an agreement had not been signed with the supplier for this order. Even though, these volley ball posts had been provided to the District Sports Officers during August 2017, most of the volley ball posts had been retained in various places without being utilized even by October and November 2017.

6.8 Deficiencies in Contract Administration

The following matters were observed.

- (a) Even though, the special schedule rates amounting to Rs.185,082, Rs.18,431 and Rs.72,480 had been prepared and indicated by the Technical Officer for work item number 1, 2 and 3 respectively in the estimate amounting to Rs.786,000 for the project of Pitabeddara, Ambewela Drinking Water Scheme, the approval of the Deputy Chief Secretary (Engineering Services) for said rates had not been obtained and a sum of Rs.95,007 had been overpaid to the contractual society.
- (b) A sum of Rs.1,411,015 had been estimated for the repairs of the quarters of the Medical Officer of Health of Amugoda Central Dispensary. It was agreed to complete it before 18 October 2012 and an agreement had been entered into by the Ministry of Southern Provincial Chief Minister, Finance and Planning, Law and Order, Local Government, Transport, Health and Indigenous Medicine, Tourism and Engineering Services with a Samurdhi Society on 03 August 2012. A sum of Rs.1,260,360 had been paid to the contractor by 17 November 2012. The work had not been completed and handed over even by 17 November 2017 and the performance guarantee had not been obtained as per the agreement. Another person had used the signature of the President of the Samurdhi Society and produced the bills.
- (c) The estimated sum for the work of construction of quarters of the Southern Provincial Council Members amounted to Rs.202,250,000. The following matters were observed in this connection.
 - (i) A discount of 13 per cent which had not been read in the Procurement Committee had been submitted to the Technical Evaluation Committee and the above contract had been awarded to a contractual institute on 18 November 2017 accordingly.

- (ii) A difference of Rs.1,804,084 was observed between the discount should be according to the discount percentage of 13 per cent which submitted by the contractual institute and the discount indicated in money wise.
 - (iii) The contract work had been awarded to the next contractor as acceptance of the mistake, that reducing 13 per cent of irregular discount.
 - (iv) The supervision from the preliminary activities up to the ceremony of the laying foundation stone on 30 November 2017 had not been carried out by the officers of the Technological Service.
- (d) The Southern Provincial Ministry of Chief Minister, Finance and Planning, Law and Order, Local Government, Transport, Health and Indigenous Medicine, Tourism and Engineering Services had invited quotations only from some contractors for 06 works which estimated value amounting to Rs.30,750,389 on 16 November 2017. The contractor had commenced the constructions during the period from 29 November to 11 December 2017 before accepting the quotations.
- (e) It was informed to the Institute of Construction Training and Development (ICTAD) to blacklist a contractual institute by the letter No.දපස/අඉම/සැ.02/2015/09 dated 11 May 2016 of the Secretary of the Southern Provincial Ministry of Education, Land and Land Development, Highways and Information. Nevertheless, the Southern Provincial Director of Education had signed an agreement on 13 May 2016 with above contractual institute to repair the building of the Southern Provincial Department of Education. As according to Provincial Financial Rules 432.2.1, 432.2.2, 432.2.3 and 432.3 reporting for black list and preparing black list registers and maintenance the registers also had not been carried out by the Chief Secretary.

6.9 Delayed Projects

Even though, all projects implemented during the year 2017 should be completed by November of that year by Southern Provincial Department of Irrigation, the works of 21 projects had not been completed even by 31 December 2017 and the works of 25 projects had not been commenced even by October 2017. Similarly, it was decided to cancel 28 projects which were planned to implement during the year under review and 02 projects commenced had been abandoned without completing.

6.10 Properties not vested Properly

Even though, an expenditure of Rs.3,356,208 had been incurred by the Ministry of Fisheries, Animal Production and Development Environment Industries, Power and Rural Estates Infrastructure Facilities and Southern Provincial Industrial Development Authority during the years 2016 and 2017 for the work of converting Ruwinigama Buildings Complex which constructed in the authoritative area of the Divisional Secretariat, Tangalle by Sri Lanka Community Fisheries Federation as a Multi-purpose Training Centre, the activities of the Multi-purpose Training Centre had not been commenced. Similarly, action had not been taken to transfer the legal ownership of the land in which the building was situated to the Industrial Development Authority even by February 2018.

6.11 Irregular Transactions

The following matters were observed.

- (a) A sum of Rs.302,080 had been incurred for additional fuel from 21 January 2017 to 03 October 2017 in addition to the fuel allowance amounting to Rs.174,080 paid to the Secretary to the Ministry of Southern Provincial Sports and Youth Affairs, Rural Development, Cultural Affairs and Arts, Social Welfare Probation and Child Care Services, Women's Affairs and Home Economic Promotion, Housing and Construction, Manpower and Employment.
- (b) The following matters were revealed during the course of test check carried out on procurement process of purchasing of ABC mix metal for the roads developed under the Provincial roads and incompletd roads development projects of the Matara District implemented by the Southern Provincial Road Development Authority from the year 2011.
 - (i) A sum of Rs.556,097,678 should have been incurred for purchasing of 128602 cubic meters of ABC mix metal required as per the approved specifications in respect of the roads improved of the project. Accordingly, the decisions should have been taken for purchases through a Procurement Committee appointed by the Cabinet of Ministers in terms of Section 2.7.2 of the Procurement Guidelines. Nevertheless, all purchases had been made according to the decision of the Procurement Committee of the Ministry even without the approval of the Procurement Committee of the Office of the Chief Secretary.
 - (ii) The Chief Secretary had appointed the Provincial Internal Audit Director to conduct a preliminary investigation after revealed the financial irregularity in the supply of ABC mix metal for the roads developed under this project. According to the observations and recommendations of his report, it was found that a financial loss totalling Rs.14,474,248 had been made by the officers due to purchasing of ABC mix metal without complying the Procurement Guidelines.
 - (iii) Even though, it was informed to the Secretary of the Ministry by the letter of the Chief Secretary No.CSS/2/3/43(i) dated 10 November 2016, to take disciplinary action against the officers who made a financial loss by taking action without complying the Procurement Guidelines and Laws, Rules and Financial Regulations, action had not been taken in this regard even by 30 April 2018.
- (c) According to the letter of the President No.CSA/P1/40 dated 04 January 2006 and the letter of the Secretary to the President No.CSA/P1/40 dated 23 April 2006, the maximum number of official vehicles allocated for the supporting staff of a Minister of a Provincial Council should be 03. Nevertheless, in addition to that, 02 pool vehicles belonging to the Ministry of Education, Land and Land Development, Highways and Information had been allocated to the staff of the Minister and provided fuel valued at Rs.1,630,800 in the year under review.

- (d) Six officers had been attached in excess to the personal staff of the subject Minister of the Southern Provincial Education, Land and Land Development, Highways and Information and salaries and allowances paid totalling amounting to Rs.2,460,068 had been paid in the year under review without complying to the Letter No.CSA/P1/40 of the President dated 04 January 2006 as amended by the letter even number dated 18 March 2006.

6.12 Staff Administration

The particulars of the Provincial Public Officers as at 31 December 2017 are given below.

Description	Approved Cadre	Actual Cadre		
		Permanent	Casual/ Substitute, Contract	Number of Vacancies
(i) Provincial Council Ministries and Departments	6059	4889	63	1170
(ii) School Staff	28062	25883	08	2179
(iii) Health Staff	9058	7470	197	1588
(iv) Local Government Institutions	5775	5088	429	687
(v) Institutions established by the Statutes	595	502	06	93
Total	49549	43832	703	5717

- (a) Action had not been taken to fill 5,717 vacancies of Provincial Council Officers.
- (b) It was observed that, 703 officers had employed on casual/ substitute/ contract basis in the Provincial Council.

6.13 Losses and Damage

- (a) A cab vehicle belonging to the Department of Animal Production and Health had met with an accident on 13 May 2016 in running for a private tour by the relevant driver who drunken at that moment and as such the loss caused amounting to Rs.280,500 had been paid by the driver to a garage. It was proposed to charge the driver for the offence by the preliminary disciplinary inquiry report dated 02 June 2016 and to interdict the driver and issue a charge sheet against him. But the Southern Provincial Public Service Commission had decided to examine the observations submitted by the Chief Secretary and the matters mentioned in the drivers service minute and to keep the driver on initial salary step of the driver post subject to a probation period.
- (b) A loss amounting to Rs.4,708,960 was incurred due to a cab vehicle belonging to the Department of Animal Production and Health had met with an accident on 07 August 2015. The insurance company had agreed to reimburse the indemnity amounting to

Rs.3,834,000 and it was decided to recover the balance money amounting to Rs.874,960 from the responsible party. Even though, the Department of Attorney General as well had recommended on 26 September 2017 to recover the loss from the third party responsible for the accident, the vehicle could not be repaired to take as previous position though a period of 28 months had elapsed after the accident occurred. But the expenditure such as monthly leasing instalments and charges for annual insurance cover had to be incurred during that period.

- (c) The total losses without being solved remained in the Southern Provincial Council Departments and the offices totalled Rs.34,601,994 including the losses of Rs.12,484,107 relating to vehicle accidents in 80 instances and the losses of Rs.22,117,887 relating to property losses in 13 instances.

7. Execution of Sustainable Development Goals

According to the “Year 2030 Agenda on Sustainable Development”, of the United Nations, the Southern Province had carried out actions for taking necessary steps to achieve respective goals and targets and to maintain their development activities by 20 June 2018. In preparing Annual Development Plan for Southern Province, the project plans had been prepared under 23 Divisions of the Criteria Based Grants and 33 Divisions of the Provincial Specific Development Grants and the plan has been implemented through 05 Provincial Ministries and Departments and Institutions remained there under. Even though, required instructions had been given to all Ministries by Southern Provincial Planning Secretariat to take actions based on the Sustainable Development Goals for the Southern Provincial Development plan also proposed for 3 years from 2019-2021, that Provincial Development Plan for 3 years had not been prepared up to 20 June 2018.

8. Accountability and Good Governance

8.1 Internal Audit

Even though, the role of the Provincial Director of Internal Audit was to inquire that required information had been provided to ascertain the reliability of the accounts and other reports and prepare a correct financial statements through accepted accounting procedures applied in terms of the Provincial Financial Rule 82.5.2, the internal audit in respect of the Office of the Chief Secretary and Provincial Fund Account had not been carried out during the year under review. But according to the Internal Audit Programme prepared for the year under review, 30 man days had been allocated for the audit of the Office of the Chief Secretary.

8.2 Execution of the Environmental and Social Responsibility

The burning equipment of cyringers received as a donation to burn clinical waste in the Base Hospital, Balapitiya had been in non-operative as could not be repaired from 07 July 2013. About 75 kilograms of clinical waste collecting generally per day in the hospital while the attention of the responsible officers had not been paid in respect of the difficulties faced by the hospital staff, patients and people of the area due to burning of the clinical waste in an open environment.

9. Systems and Controls

Deficiencies identified in systems and controls during the course of audit were brought to the notice of the Heads of the Institutions of the Provincial Council from time to time. Special attention is needed in respect of the following areas of control.

System -----	Major Deficiencies of the System -----
(a) Fixed Assets Control	Time delays were shown in respect of taking actions on losses and damages.
(b) Revenue Administration	Revenue estimates had been prepared without a due study and evaluation.
(c) Accounting	(i) Action had not been taken to settle the balances of General Deposit Accounts. (ii) Differences were observed in the Departmental accounts relating to the balances of the Provincial Public officers Advance Accounts and the balances of the accounts of the Provincial Treasury.