

## Southern Provincial Council – Year 2020

---

### 1. Financial Statements

---

#### 1.1 Qualified Opinion

---

The audit of the financial statements of the Southern Provincial Council for the year ended 31 December 2020 comprising the statement of financial position as at 31 December 2020 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154 (3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Councils Act No. 42 of 1987 and provisions of the National Audit Act, No. 19 of 2018. In terms of Section 23 (2) of the Provincial Councils Act and Sub Section 11 (1) of the National Audit Act, No. 19 of 2018, the summary report was issued on 12 August 2021 and in terms of Sub Section 11 (2) of the National Audit Act, the Detailed Management Audit Report was issued on 02 December 2021. This report is submitted to the Parliament in terms of Article 154 (6) of the Constitution and Section 10 (1) of the National Audit Act and a copy of the report is submitted to the Governor for the tabling at the Provincial Council under Section 23 (2) of the Provincial Councils Act, No. 42 of 1987.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements of the Southern Provincial Council give a true and fair view of the financial position of the Southern Provincial Council as at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

#### 1.2 Basis for Qualified Opinion

---

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) The income in transit as at 01 January 2020 was Rs.115,018,220 and although adjustments amounting to Rs.25,513,949 had been made to income in transit during the year as that balance was Rs.89,504,271 as at 31 December 2020, an income in transit account had not been maintained in the general ledger for that purpose.	A computerized ledger account for income in transit is being maintained by the relevant officer in charge of the subject.	An income in transit account must be accurately maintained in the general ledger.

- |     |  |  |  |
|-----|--|--|--|
| (b) | Even though the accrued expenses were Rs.193,505,412 according to the statement of financial position, that balance in relation to Head 25 was Rs.239,469,097. As a result, there was a difference of Rs.45,963,685 and as a result, accrued expenses and the deficit for the year had been understated by Rs. 45,963,685.                     | The value of accrued expenses has been included in the Fund Account based on the information obtained from the relevant institutions.  | Action must be taken to prepare the financial statements by reconciling the balance of the accrued expenditure indicated in the financial statements and the balances indicated in the Fund Account. |
| (c) | Although a total of Rs.73,110,507 had been indicated as payable depreciation reserve funds in the financial statements of 07 commercial advance accounts, depreciation reserve fund account had been understated by that amount as the value had not been indicated in the Fund Account.   | The observation of the audit is not admitted and the balance of the debits and credits report of the commercial advance accounts had only been brought to accounts in the previous years too.  | The balances indicated in the commercial advance accounts must be accurate with the Fund Accounts.   |
| (d) | Although the total of vehicle registration fees and vehicle license fees included under Note No. 18 in the Fund Account of the Southern Provincial Council was Rs.1,361,194,437, it was Rs.1,343,184,266 according to the financial statements of the Department of Motor Traffic. Accordingly, there had been a difference of Rs. 18,010,171. | The observation of the audit is not admitted and the reason for the difference between the revenue as per the Fund Account and the revenue according to the financial statements of the Department of Motor Traffic of the Southern Province is the revenue receivable. The revenue receivable is not accounted. | The balance indicated in the financial statements of the Department of Motor Traffic and the balance in the Fund Account should be reconciled and rectified.   |
| (e) | Since the total amount of Rs.12,189,330, stated as errors had been indicated as other receipts in the statement of financial performance, the income of the year had been overstated by that amount.   | This is not an income and it is a rectification of accounts and therefore, it has been indicated under other receipts.   | Action should be taken to account only the income related to the year under review.  |

- (f) Information related to the adjustment of an amount of Rs.120,333,153, which had not been adjusted to the balance of fixed assets as per the Financial Statements of the Industrial Development Department, to the balance of fixed assets in the Fund Account for the year under review by Journal Notes No. 88 and information relating to the rehabilitation and improvement of capital assets amounting to Rs.2,816,043,003, which had been written off as development expenditure in the statement of financial performance and the acquisition of capital assets had not been submitted to audit.
- Only an adjustment of the initial balances was carried out. The final balance of the financial statements of the Industrial Development Department and the final balance of the Provincial Fund Account are accurate.
- Relevant information must be clearly indicated in making Journal entries.
- (g) Due to the inclusion of the final stock amounting to Rs.209,164,862 in relation to the commercial advance account bearing Subject No. 31302 in the final stock of stationery included in the statement of financial position, expenses on other supplies and services related to the year under review had been understated by that amount and as a result, the deficit of the year had been understated by that amount.
- Only a stock adjustment had been carried out here and the expenses had not been understated or overstated.
- The year-end balance of stationery stock must be accounted accurately.
- (h) Although 08 balances of income receivable (in arrears) amounting to Rs. 478,344,282, which could have been definitely estimated as per the financial statements of the Department of Provincial Revenue of the Southern Province had been indicated for the year under review, the income of the year had been understated by that amount as that balance in the Fund Account had not been identified on accrual basis and had not been indicated as an income receivable.
- As all the income (excluding interest income) is identified and accounted at the time of collection, income receivable is not accounted.
- The actual income related to the year under review must be accounted in the Funds Account on the accrual basis.

- |     |   |   |  |
|-----|---|---|--|
| (i) | The balance of the property, plant and equipment mentioned in each of the financial statements belonging to the Head 25 under the Provincial Council was Rs.23,917,667,658 as at 31 December 2020 and since the balance indicated in the Provincial Fund Account was Rs. 42,289,073,491 as at that date and a difference of Rs.18,371,405,833 was observed between those balances.                              | According to the written information obtained from the Head 25, information was entered in to the Fund Account.   | The Provincial Fund Account and the values related to the property, plant and equipment in Head 25 should be rectified.  |
| (j) | Due to understating the court fines, payable to the Local Government Institutions of the Southern Province, by Rs.166,580,523 and understating the payable stamp duty by Rs.1,049,220,528 under the current liabilities in the statement of financial position of the Provincial Fund Account, the balance of the current liabilities of the Fund Account had been under calculated by a value similar to that. | Local Government Institutions report the value before the value is confirmed by the Provincial Revenue Department. Therefore, there may be differences between the value stated in the Provincial Fund Account and the value included in the financial statements of the Local Government Institutions. | Adjustments should be made to the differences existing between the balance of the Fund Account and the balance of the financial statements of the Local Government Institutions. |

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities in relation to the Financial Statements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### 1.3 Responsibility of the Management for the Financial Statements

---

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

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

As per Section 16 (1) of the National Audit Act No. 19 of 2018, the Provincial Council is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Provincial Council.

## 1.4 Auditor's Responsibility for the Audit of the Financial Statements

---

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

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

- Appropriate audit procedures were designed and performed to identify and assess the risk of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Intentional omissions or omission of internal controls can lead to fraud.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Management regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**1.5 Comments on Financial Statements**

-----

**1.5.1 Head 300 - Governor’s Secretariat of the Southern Province**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Management Inefficiencies -----		
<p>In terms of Section 20 (1) of the Provincial Councils Act, No. 42 of 1987, the amounts as determined by the Statute from time to time by the Provincial Council shall be paid from the Provincial Council Fund to the Emergency Fund. However, any amount, other than the amount provided by the Provincial Council Fund at the inception of the Fund, had not been provided from the Provincial Council Fund. Interest income of the fixed deposits earned from investing the Fund was the only source of fund flow of the Fund.</p>	<p>I will discuss the existing issues in this regard and take action to rectify them in the future.</p>	<p>Action should be taken to strengthen the Provincial Emergency Fund.</p>

**1.5.2 Head 304 - The Chief Minister of the Southern Province and the Ministry of Finance and Planning, Law and Order, Local Government, Transport, Health and Indigenous Medicine, Tourism and Engineering Services**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Not obtaining the Expected Output -----		
<p>Although the Ministry had paid Rs.7,888,000 for 493 families in the year 2019 for the construction of lavatories for 600 family units out of 11,246 family units, who do not have lavatory facilities in the</p>	<p>The approval for the project was granted on 24/05/2019. Accordingly, the programme was launched in June 2019 and applications were issued to 700 beneficiaries from the amount of</p>	<p>Action should be taken to implement projects properly and to obtain the expected benefits.</p>

Southern Province, only one beneficiary had completed the construction of lavatories. An amount of Rs.17,152,000 had been spent in the year 2020 for the three districts of Galle, Matara and Hambantota. Only 206 beneficiaries had benefited from this and only 27 beneficiaries had fully completed the lavatories. Accordingly, the expected results had not been achieved with the money paid.

Rs.28 million approved for the construction of rural lavatories. The relevant progress could not be achieved as it was notified by the letter of the Commissioner of Elections dated 28.09.2019 to suspend the programme owing to the election situation prevailed in the country.

1.5.2.1 **Ruhuna Tourism Bureau**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) Not obtaining the Expected Output -----	Construction activities has been halted due to insufficient funding in the year due to changes in the nature of construction activities to suit the existing building model at this site. I would like to report that provision will be made from the Development Plan for the year 2021/2022 to complete this industry.	The project should be completed and the desired Subjective should be achieved.
(b) Idle and Underutilized Assets -----	Estimates have been prepared by the District Engineer of Hambantota and the estimates have been forwarded to the Ministry of Tourism in the year 2021 to renovate it with the provision of the Ministry of	Action should be taken to duly repair the relevant assets and to utilize them.

supplied to the circuit bungalow remained inoperative. Further, any constructions of the village market, which was constructed in 2007 at a cost of Rs.1,306,910, could not be identified and only debris of it was left. Moreover, the roofing sheets of 04 circuit bungalows constructed by incurring Rs.2,718,744 in the rural village had been detached and houses were destroyed.

Tourism to use it for the needs of the local tourists. Accordingly, action would be taken to use it as a tourism facility before the end of the year 2021.

1.5.2.2 **Southern Provincial Development Authority**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
<p>Management Inefficiencies -----</p>		
<p>Under the Southern Province Entrepreneurship Encouragement Development Loan Project implemented by the Southern Provincial Development Authority, there were 282 borrowers with loan arrears as at 31 October 2020 and the total arrears was Rs.23,371,333. Out of this, the loan amount recoverable from 60 beneficiaries with loan arrears outstanding for more than 01 year was Rs. 10,305,929 and the amount had not been settled even during the year under review.</p>	<p>Comments have not been submitted.</p>	<p>Action should be taken to recover the outstanding loans.</p>



1.5.3 **Head 305 - Southern Provincial Department of Health Services**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
<b>Management Inefficiencies</b>		
-----		
(a) The District Medical Officer of the Ambalangoda District Hospital was serving as the Head of the Institution even after completing 60 years of age on 25 June 2020 without complying to No. (i) (a) of the Cabinet Decision No. CP/20/0554/213/028 dated 28 May 2020.	Appointment of Medical Officers as Heads of Institutions is done by the Line Ministry of Health under the seniority and transfers of the Medical Officers.	Action should be taken in accordance with the decision of the Cabinet of Ministers.
(b) A cab belonging to the Department had met with an accident on 29 March 2019. Even though it had been recommended according to the preliminary investigation report and the report of the three-member inquiry committee dated 17 March 2020 to recover the damage amounting to Rs.284,626 from the driver, who drove the cab at the moment of occurring the accident and the damage of Rs.254,337 occurred to the engine due to driving the cab after the accident as the driver was responsible for the accident, the amounts had not been recovered even by 30 November 2020, the date of the audit.	Action in this regard has been taken according to the report of the three-member inquiry committee.	Further action should be taken in accordance with the preliminary investigation report.

## 1.5.4

**Head 307 - Department of Ayurveda of the Southern Province**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<b>Transactions not Supported by Adequate Authority</b> -----		
(a) Although the minimum authorized limit for receipts in the Ayurvedic Products Advance Account (Subject No. 30702) was Rs.60,000,000, the actual value of receipts was Rs.52,412,730 and as a result, the minimum limit had not been reached by an amount of Rs.7,587,270.	At the end of the year, the maximum amount of debit balance was exceeded due to the reduction in the expected revenue due to the reduction in the quantity of medicines issued to all Ayurvedic hospitals. However, arrangements have been made to avoid such occurrences in the future.	Necessary amendments on the required limits should be made before exceeding the limits.
(b) An occasion of exceeding the maximum expenditure limit, for which the approval of the Ayurvedic Products Advance Account was granted during the year under review, by Rs.161,775 was observed.	At the end of the year, the maximum limit of debit balance was exceeded due to the decrease in the expected revenue due to the decrease in the quantity of drugs issued to the entire set of hospitals. However, arrangements have been made to avoid such occurrences in the future.	Action must be taken in compliance with the authorized limits of the commercial advance accounts. If the limit is going to exceed, necessary amendments to the limit should be made.

## 1.5.4.1

**Beliatta Pharmaceutical Factory**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
The Chief Ministry of the Southern Province and Helpo Eco Green Company had entered into an agreement on 21 August 2013 to construct a biogas unit at the Beliatta Pharmaceutical Factory. Although an amount of Rs.792,000	Preliminary work has been carried out in consultation with Helpo as the use of bio gas stoves in the manufacture of pharmaceuticals has become unsuccessful.	Arrangements should be made to complete the constructions and to utilize them in accordance with the Agreement.

had been paid on 21 February 2014 certifying the completion of the industry, it had become inactive and could not be utilized after 21 February 2015.

1.5.5 **Head 308 - Southern Provincial Ministry of Education, Lands and Land Development, Highways and Information**

1.5.5.1 **Southern Provincial Road Development Authority**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
----------------------------	--	-------------------------

(a) Accounting Deficiencies  
-----

(i) Although the Southern Provincial Road Development Authority has been using the lands valued at Rs. 65,010,000 and buildings valued at Rs. 35,800,000 since 1993, those values had not been included in the financial statements of the Authority. Therefore, the net assets of the Authority had been understated by that amount and as a result, the fund investment value of the Fund Account had also been undercalculated by that amount.	I kindly inform you that the value sources have not been taken to accounts as the Authority has no ownership.	Relevant transfers should be made and assets should be assessed and the correct values should be stated in the financial statements.
---	---	--

- (ii) The value of the carpet manufacturing machine provided to the Southern Provincial Road Development Authority by the Ministry of Economic Development had not been identified and taken to accounts. The machine was installed on a private land without the permission of the owner. Although the production of carpets from that machine had been stopped from August 2018 to September 2020, the guards were paid Rs.2,645,139 as wages, other than overtime allowances, during that period.
- The value of the carpet manufacturing plant donated by the Ministry of Economic Development could not be taken to accounts owing to the difficulty in obtaining the correct value of the plant and the inability to obtain an independent professional assessment.
- The carpet manufacturing machine must be accounted properly and installed on a land of the Authority and it should be utilized properly.
- (iii) Four (04) debtor balances amounting to Rs.74,999,565 and 03 creditor balances amounting to Rs.276,084,492, included in the financial statements of the Southern Provincial Road Development Authority had been indicated in the financial statements over a long period and action had not been taken to settle them.
- I will take action to recover these balances expeditiously in consultation with the relevant parties receivable.
- Action should be taken to recover the long-standing debtor balances expeditiously.
- (iv) Four (04) balances totalling Rs.13,135,482 are shown in the financial statements as balances receivable for many years and action has not been taken to recover them or take any formal action in this regard.
- I would like to inform you that action is being taken to expeditiously recover these balances receivable from external institutions.
- Action should be taken to settle the long-standing receivable balances expeditiously.

- |      |   |  |   |
|------|---|--|---|
| (v)  | Action had not been taken to settle or take appropriate action in respect of 208 tender deposit balances totalling Rs.20,575,082 and 835 retention balances totalling Rs.56,771,198 existing from the years 2008 to 2018.   | I would like to inform that the officer in charge of the subject has been informed to notify this matter to the contractors and suppliers and action will be taken in the future to settle these balances appropriately. | Tender deposits and retentions should be settled without delay. |
| (vi) | Although the worker retentions of 3 percent retained from the wages of check roll workers should be repaid after the completion of the work, for which the worker had been employed, action had not been taken to settle the worker retentions totalling Rs.1,241,748 even at the end of the year under review. | I would like to inform you that a report will be obtained in this regard and action will be taken to settle this in the future.  | Action should be taken to settle these balances expeditiously.  |

(b) Idle and Underutilized Assets

-----

- |     |   |  |   |
|-----|---|--|---|
| (i) | Production activities at the asphalt yard installed in Galagoda had been completely halted on 09 July 2018 and the carpet manufacturing machine had not been utilized even up to 09 September 2020, the date of audit and it had been decaying. Due to the cessation of the production of asphalt, 02 imported asphalt grinders and 02 solidifiers imported along with the carpet manufacturing machines had been kept at the Udukawa Mechanical Division and they had been idle. | Arrangements have been made to sell them. The carpet production was halted as even the minimum capacity exceeds the requirement since the plant is of super capacity and due to the shortage of allocations for road maintenance and upgrades. | Machinery should be disposed of. Disciplinary action should be taken against those who had purchased an unsuitable machine. |
|-----|---|--|---|

- (ii) Fourteen (14) machines provided by the Ministry of Economic Development to the Southern Provincial Road Development Authority during the period of 2011-2015 for carpeting the roads had been kept at the Mechanical Section and the machines had been idle and 166 of the materials and accessories brought for the construction of the Galle Head Office had been idly piled in the rest room of the employees of the Mechanical Engineering Institution since 2001. Moreover, 02 generators that had been used to operate the asphalt manufacturing machines had not been utilized from July 2018 even up to 09 October 2020, the date of audit.
- Two (02) machines have been deployed for services at Elpitiya and Aluthwewa pre-cast machine premises. One machine has been auctioned. Two (02) vehicles are used to transport hot tar for asphalt production. Other machines are related to the manufacture of asphalt and laying the roads with asphalt. Items that can be used, out of the materials, have been utilized according to the requirement. I have instructed the other offices of the Southern Provincial Road Development Authority to inspect the remaining materials and to obtain them and I will take action to dispose of the remaining materials expeditiously.
- Measures should be taken to minimize the idling of machinery and accessories.

(c) Management Inefficiencies

-----

- (i) A sum of Rs. 559,000 had been paid to private lawyers for the period of 2019 to 20 August 2020 due to not seeking the assistance of the Legal Division of the Chief Secretariat of the Southern Province pertaining to the cases filed against the Southern Provincial Road Development Authority.
- This has been rectified and action has already been taken to refer the legal matters to the Legal Officer of the Chief Secretariat to obtain his advices.
- The State Counsels in the Provincial Council should be deployed for litigation.

(ii)	The number of cases pending against the Authority during the year under review was 15 out of the cases filed by the employees of the Authority regarding promotions, incentives and non-granting of salary increments.	I kindly inform you that action would be taken to get advices of the Legal Officer of the Chief Secretariat in the relevant legal matters.	The administrative activities of the Authority should be carried out in accordance with the existing rules and regulations.
------	--	--	---

(d) Operational Inefficiencies  
-----

The financial progress, of 07 construction industries, which had been started in 2017 under the reconstruction of roads damaged due to floods in 2017 belonging to the Weligama Regional Engineering Office area of the Southern Provincial Road Development Authority and for which contracts had been awarded for a total of Rs.38,733,887 owing to non-receipt of the relevant funds for this project, had been zero percent.	Large number of shops on these two roads had to be demolished and refurbished. However, it took a long time to resolve the issues raised by the shop owners. There had also been certain effects due to Covid 19 pandemic.	Relevant roads should be reconstructed immediately.
--	--	---

(e) Transactions of Contentious Nature  
-----

The appointment of the former Deputy General Manager (Administration) of the Southern Provincial Road Development Authority to the Post of Administrative Officer and promotion to the Post of Deputy General Manager (Administration) was made in violation of the Management Services Circular No. 28 dated 10 April 2006. Moreover, he was also appointed to act as the Deputy General Manager when there had been no Post of Deputy General Manager (Administration) as per the approved cadre of the Authority and when he had not been confirmed in the Post of Administrative Officer. Although	Appointment had been made to the post of Deputy General Manager (Administration) on the approval of the Board of Directors and it was later decided to instate him in the post of Assistant Manager (Administration) from the post of Deputy General Manager (Administration) as per the Directive of the Committee on Public Accounts. However, he refused it and resigned from the post. Approval has not been obtained for the post of Deputy General Manager (Administration) as there is a post of Deputy General Manager (Finance and Administration).	The decision of the Funds and Accounts Committee of the Southern Provincial Council should be implemented.
--	--	--

the Funds and Accounts Committee of the Southern Provincial Council held on 17 December 2018 had decided to take action to recover the salaries and allowances paid for those posts, those decisions had not been implemented.

Only the assignment of duties to the staff has been done. If the payment of increments related to the period of unpaid service violates the regulations, I will take action to reduce those increments and to recover the amount in case extra payment has been made.

(f) Administration of the Staffs  
-----

Discharge of duties of the 07 posts, out of 17 senior level posts approved by the Southern Provincial Road Development Authority, was being carried out by officers appointed on acting basis and it had adversely affected the administration and the performance of the Authority.

I would like to inform that it is unacceptable that acting appointments made to the administration and performance of the Authority and the approval of the Board of Directors has been granted to recruit permanent officers for the acting posts on 28 April 2021 and accordingly, action will be taken to recruit officers in the future.

Measures should be taken to fill vacancies or to revise the approved cadre.

(g) Defects in the Contract Administration  
-----

An advance of Rs. 2,290,887 had been paid on 26 December 2017 for the phase II of concreting Dampahala Udugama Road. Although the contract had not been finalized as per the Agreement, the Authority had not taken action to encash the performance bond.

The advance granted was recovered from the bills and action has been taken to recover the further remaining balance from the bills submitted by the relevant contractor in connection with the flood damage road rehabilitation project.

Action should be taken to fulfill the relevant functions as per the Agreement. Otherwise, the loss incurred should be recovered from the responsible officers.

(h) Procurement  
-----

Although the preparation of the land in the Elpitiya Mayimthenna Agricultural Mega Zone has been assigned to the Southern Provincial Road Development Authority, an

The Regional Engineer stated that he was not aware of the clearing of an area of about 300 square metres and that an institutional investigation was carried out into

Procurement should be carried out by adopting proper procurement procedures.



excavator had been used for 05 days to prepare an area of about 03 acres in that Mega Zone prior to the relevant procurement.

this incident and it was not possible to obtain any information in that regard and I also inform you that the Elpitiya Regional Engineer who has committed an offense by concealing information has been punished according to the disciplinary procedure of the Authority.

(i) Non-compliance with Rules, Regulations and Management Decisions

The following instances of non-compliance were observed during the audit.

Reference to rules, regulations, regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
(i) Section 184 of Chapter xvii of the Gazette Extraordinary issued by the Secretary of the Public Service Commission bearing No. 1589/30 dated 20 February 2009.	Four (04) employees had been appointed to the Post of Work Supervisor by the letter of the General Manager of the Southern Provincial Road Development Authority dated 25 February 2020 and they had been paid salaries amounting to Rs.649,760 from March 2020 up to June.	Action is being taken to include those amendments to the scheme of recruitment and to submit it to get the approval of the Department of Management Services.	Action should be taken in accordance with the provisions of the Gazette Extraordinary issued by the Secretary of the Public Service Commission bearing No. 1589/30 dated 20 February 2009.
(ii) Approved Scheme of Recruitment dated 19 April 2016 of the Southern Provincial Road Development Authority.	Two candidates, who had not fulfilled the required qualifications were promoted to the Post of Management Assistant (Non-Technical) and they were appointed on 09 September 2019 by	Necessary instructions and guidance have been given to expeditiously carry out functions such as updating personal files, granting permanent status to employees, who have completed probation, and procedures have been	Action should be taken to rectify the errors made and take disciplinary action against the responsible officers.

the Southern developed to prevent such  
 Provincial Road omissions in the future.  
 Development  
 Authority in contrary  
 to the Approved  
 Scheme of  
 Recruitment.

1.5.6 **Head 309 - Land Commissioner's Department of the Southern Province**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<b>Management Inefficiencies</b> -----		
The ownership of two cabs, which had been transferred from the Ministry of Southern Development to the Land Commissioner's Department of the Southern Province, had not been taken over even by 12 February 2021.	I will make arrangements in the future to take over the ownership through the Chief Secretary.	Action should be expeditiously taken to take over the ownership of the 02 cabs.

1.5.7 **Head 310 - Southern Provincial Department of Education**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<b>(a) Management Inefficiencies</b> -----		
(i) The number of teachers getting salaries without engaging in any work in the schools under the Southern Provincial Department of Education was 84.	It had been reported that information regarding the teachers, who are not doing any work and suffering from diseases has been forwarded to the Secretary of the Southern Provincial Ministry of Education.	Adequate medical records on the health condition of the teachers should be obtained and action should be taken appropriately.
(ii) Two hundred and five (205) teachers from 128 schools in 05 Zones of the Southern Province were assigned other school functions such	Comments had not been provided.	Teachers should be involved in teaching activities in schools.

as office work, school supervision, library and stores activities without assigning teaching activities related to their subjects of appointment.

- (iii) Although approximately a year had passed since the appointment of Committees pertaining to 08 complaints received to the Zonal Education Office of Ambalangoda regarding the schools of the Zone, investigations had not been completed and reports had not been submitted.
- Two (02) preliminary investigation reports have already been received and the other reports have not yet been received. I will take action to get preliminary investigation reports expeditiously in the future.
- Action should be taken against the investigating officers, who did not submit the investigation reports within the stipulated time.

(b) Operational Inefficiencies

-----

Although it had been approved to operate the Zonal Education Office, Ambalangoda under 04 main operational divisions, only 03 Divisional Education Offices had been operated. Moreover, 06 Assistant Directors were deployed in addition to the approved staff for the Zonal Office, and their salaries were paid even without a specified duty.

The Provincial Secretary of Education has been informed in this regard at the Provincial Progress Review Meeting held on 21.01.2021. There will be no excesses once the transfer and promotion are performed.

Action should be taken to establish Divisional Education Offices as approved and to enhance the school educational activities. Moreover, the six extra staff members should be released for that purpose.

(c) Shortages and Excesses of Teachers in schools

---

- (i) When considering the shortages and excesses of the teachers in the schools of the 5 Divisions of the Elpitiya Zonal Education Office, there was a shortage of 196 teachers and an excess of 133 teachers for primary and secondary subjects. Measures have been taken to employ excess teachers to meet the shortage of teachers as per exigencies of the service by considering the shortage of 196 teachers and excess of 133 teachers. Action should be taken immediately to release the excess teachers and to fill the shortages of teachers.
- (ii) When there was an excess of 36 officers in the principal grade in the Zone of Education of Matara, teachers of the Teachers' Service in 07 schools had been appointed for acting Posts of Principal. A letter dated 22.04.2021 had been sent to the Secretary of Education of the Southern Province requesting instructions on the employment of 09 acting principals when there were 36 excess officers in the principal grade in the Zone of Education, Matara. Seven (07) Officers of the principal grade should be appointed by replacing the 07 acting principals and the officers, who are in excess further should be released to other Zones.

(d) Non-compliance with Rules, Regulations and Management Decisions

---

Reference to rules, regulations, regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 04/2016 dated 26 August 2016 and Sections 5.4 and 5.4.1 of Chapter xix of the Establishments	The official residence of CWW Kannangara Vidyalaya, where the Galle Zonal Director of Education resides, has been completely renovated incurring a cost of Rs.2,692,971 by 15 February 2019 and despite	I have taken action as per the approval of the Secretary in terms of Section 5.6 of Chapter xix of the Establishments Code and I will act in accordance with the Public	The Rent should be charged in accordance with the provisions of the Circular.

Code of the that only an economic rent Administration  
Democratic amounting to Rs. 2,000 Circular No. 04/2016  
Socialist each per month was being in the future.  
Republic of Sri charged without  
Lanka. complying with Sections  
5.4 and 5.4.1 of Chapter  
xix of the Establishments  
Code.

1.5.8 **Head 311 - Ministry of Fisheries, Animal Production and Development, Environmental Affairs, Rural Industries, Power and Rural Estate Infrastructure Development**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Not Obtaining Expected Level of Outcome -----		
Although a sum of Rs.4,344,239 had been spent as at 31 December 2020 after obtaining the approval for the provision amounting to Rs.5,356,167 under the Chief Secretary's Flexible Fund and the Special Village Project for the development of the Ridiyagama Fish Seed Production Unit, which functions under the purview of the Ministry, the project had not been completed and as a result, the Subjectives of the project had not been achieved. Necessary arrangements had not been made to obtain benefits according to the relevant expenditure.	An amount of Rs. 5,356,167 has been approved for the second phase of the Ridiyagama Fish Seed Production Unit under the Flexible Fund and Special Village Project. I kindly inform you that the necessary action is being taken at present to make the project suitable for obtaining the desired results after completing all the final activities of the project by allocating provision by the Industrial Development Authority also in the year 2021.	Relevant work should be completed and action should be taken to achieve the proposed Subjectives.

1.5.8.1 **Southern Provincial Industrial Development Authority**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Although the Authority does not have a legal ownership of the Ridiyagama Fish	A request for the assessment of these centres had been submitted to the Provincial Revenue	Assets should be taken into financial statements after the

Production Unit, Thalunna Farm and Bogahapelessa Alewi Piyasa Centres, the Authority has been generating revenue by incurring expenses over the past few years and during the year under review. The value of those Centres had not been identified as assets.

Department in the year 2020 and assessment has not yet been received. I kindly inform you that action will be taken to account the assessed values in the ensuing years.

ownership of the assets is confirmed.

- (b) Action had not been taken to systematically transfer and to account five (05) plots of land, to which the buildings worth Rs.43,721,581 are belonging and these buildings are related to the buildings indicated as the value of buildings at the end of the year under review.
- The other Centres, except Ahungalla and Denipitiya, which are located in the lands, to which these buildings worth Rs.43,721,581 are belonging, are the lands vested in the Authority to proceed with its operation. I kindly state that action will be taken in the future to take over the ownership of these lands and buildings.
- Action should be taken to take over the assets and to account them.
- (c) The Southern Provincial Industrial Development Authority had spent Rs.3,065,325 for the coir related brush production project under the Villages with Special Needs Programme 2018. Although it had been indicated that the Authority had distributed 510 machines to the beneficiaries for the project, relevant evidences on the distribution of 259 coir twisting machines worth Rs. 1,003,625 and 28 coir cutting machines worth Rs.219,800 and 28 wire cutting machines worth Rs.77,000 and 06 trim machines worth Rs.660,000 had not been submitted to the audit. Accordingly, it
- These machines had been provided for community-based organizations by a contract.
- Written evidences that the machinery has been received should be submitted to the audit.

was not possible to obtain expected benefits from the sum of Rs.1,960,425 paid for the project.

1.5.9 **Head 312 - Southern Provincial Department of Animal Production and Health**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
(a) <u>Management Inefficiencies</u>		
<p>Although rent should be charged in accordance with the Section 5:4 and 5:4:1 of Chapter XIX of the Establishments Code and the Public Administration Circular No. 04/2016 dated 26 August 2016, in charging rent of the Office of the Provincial Director of the Southern Provincial Department of Animal Production and Health, rent Rs.228,336 less had been charged from 07 Officers as it had not been charged accordingly.</p>	<p>We kindly inform you that action has been taken to charge 10% of the rent due to the shortcomings and minimal facilities available in the government houses provided to those officers. Since those houses have been repaired by the end of the year 2020, the rent amounting to 12.5% each is being charged from the year 2021.</p>	<p>Rent should be charged as per the provisions of the Circulars.</p>
(b) <u>Implementation of Projects</u>		
<p>Although a sum of Rs.1,207,933 had been paid to the Water Supply and Drainage Board by the Provincial Specific Development Plan in the year 2019 and in the year 2020, the year under review, for the construction of a tube well for animal production related activities at the Kekanadura Poultry Farm, work of the relevant project had not been finalized and it had not utilized for the relevant purpose.</p>	<p>Since the construction of a tube well has become an essential requirement for the continuous supply of water required for animal production related activities of Kekanadura Poultry Farm and agricultural activities, an amount of Rs. 1,207,933 has been paid to the Water Supply and Drainage Board from time to time in the years 2019 and 2020 to carry out the relevant activities to construct the tube well.</p>	<p>Action should be taken to finalize the work of the relevant project expeditiously as per the Agreement.</p>

(c) Transactions not Supported by Adequate Authority

-----

Although the minimum authorized limit of the receipts related to the advance activity (Subject No. 31202) of upkeeping the Kekanadura Poultry Farm and maintaining the incubators was Rs.26,300,000, the actual value of receipts was Rs. 25,815,698 and therefore, the minimum limit of receipts had not been reached by an amount of Rs.484,302.	I kindly inform you that it was not possible to reach the minimum limit of receipts expected to achieve in the year under review due to the inability of performing the functions as expected due to the corona disease (Covid-19) which has been present in the country since the beginning of 2020 and is still prevailing in the country.	Action should be taken as per the authorized limits of the commercial advance accounts.
--	--	---

1.5.10 **Head 315 - Department of Agriculture of the Southern Province**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
----------------------------	--	-------------------------

Idle and Under-Utilized Assets  
-----

The Telijjawila District Agriculture Training Centre had purchased a white coconut oil manufacturing machine on 09 November 2018 at a cost of Rs.260,000, the machine could not be utilized and it remained idle until 31 December 2020, the date of audit owing to the inability to supply electricity to the machine.	The reason for the delay in obtaining the electricity was the delay in the preparation of the electricity estimate due to the prevalence of corona pandemic. Preliminary steps have been taken to obtain electricity and to start the manufacture of coconut oil.	The coconut oil production project should be started immediately using the machine.
---	---	---



**Head 317 - Southern Provincial Department of Co-operative Development**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-----	-----	-----
<b>Management Inefficiencies</b>		
-----		
(a) Although an amount of Rs.194,382,122 had to be recovered to the Co-operative Fund as per Section 43 (ii) of the Co-operative Societies Act No. 15 of 1972 from the profits of 229 societies in the area of authority, which had been audited, the Matara Co-operative Development Assistant Commissioner's Office had not taken action to recover this amount.	An amount of Rs. 2,762,410, out of the recoverable amount of Rs.207,350,590, has been received by 30 August 2021.	Action should be taken in accordance with the Co-operative Societies Act and the amount that should be recovered to the Co-operative Fund should be recovered.
(b) Although the fines remitted by the courts to the Department of Cooperative Development should be remitted to the relevant societies expeditiously, an unidentified balance of fines amounting to Rs.914,468 remained as at 31 December 2020.	The balance remaining further as at 30 August 2021 is Rs.899,761.	Action should be taken to identify court fines accurately and to remit the fines to the relevant societies.

1.5.12

**Head - 318 - 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 and Manpower and Employment**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
----------------------------	--	-------------------------

(a) Defects in the Contract Administration  
-----

<p>In the examination of the final bill of the contract for the construction of Hikkaduwa Narigama Multipurpose Service Centre (Phase II) under the Ministry, an unusual saving of Rs.5,488,162 was observed between the estimated value and the actual value for 41 subjects and an unusual increase of Rs.4,633,249 for 19 subjects as per the sample audit test checks carried out in relation to 97 subjects indicated.</p>	<p>The quantities were changed as plans were revised, soil to be removed from this site has been carried to another industry, carrying out constructions to safeguard the property on both sides and rebuilding the damaged wall.</p>	<p>Estimates should be prepared accurately in contracts. It should be notified to get compensation for damages from the insurance of the contractor. Soil and timber etc., removed from the work site should be sold at a public auction.</p>
---	---	---

(b) Procurement  
-----

<p>The Ministry had paid Rs. 974,460 for VAT to a supplier, whose registration for VAT was deactivated in 2019 in purchasing self-employment equipment under 50% beneficiary contribution for micro, small and medium sized enterprises in the Southern Province.</p>	<p>The relevant institution and the Inland Revenue Department have been informed to confirm the remittance of VAT.</p>	<p>When paying VAT, it should be checked whether suppliers are activated for VAT and make payments.</p>
---	--	---

1.5.13

**Head 319 - Department of Social Welfare, Probation and Child Care Services**

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
-------------------	--	----------------

Not Obtaining Expected Benefits

An amount of Rs. 500,000 has been allocated under the Criteria Based Development Plan in 2018 for the Database Development Project of the Department of Social Welfare, Probation and Child Care Services of the Southern Province. Although an amount of Rs.619,000 had been incurred from 31 December 2018 to August 2020, the work of this database was hampered and the desired Subjectives of the project could not be achieved owing to various technical and non-technical issues prevailing in the Divisional Secretariats.

An amount of Rs. 500,000 has been incurred as the initial cost for installing the software and the remaining amount of Rs.119,000 has been paid for storing data in the internet on a monthly basis until August 2020. The training in this regard was conducted in two phases and the basic training was given in March 2019 and the formal training was given in October 2019 to the social service officers and officers in charge of subjects working in the Divisional Secretariats in the Galle District. It is expected to achieve the desired Subjectives of this project by developing the existing computer facilities and upgrading the internet facilities of the Divisional Secretariats in the future.

The project should be successfully implemented and the desired Subjectives should be achieved.

**Head 320 - Chief Secretary's Office of the Southern Province**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Documentary Evidences not made available for Audit -----	Property, plant and equipment totalling Rs. 1,135,420,724 could not be vouched satisfactorily in the audit since a fixed asset register had not been maintained formally. It has been stated that the preparation of a formal fixed asset register has been initiated and the work will be finalized soon and the register will be maintained properly.	A fixed asset register should be maintained formally.
(b) Identified Losses -----	The total of damages was Rs.15,826,827 comprised of damages pertaining to vehicle accidents amounting to Rs.14,367,682 related to 104 unsettled occasions and damages pertaining to properties amounting to Rs.1,459,142 related to 15 unsettled occasions in Ministries / Departments and Offices of the Southern Province. Several activities in relation to the damages occurred to vehicles and property have been finalized and action is being taken in relation to the remaining damages in terms of the Financial Regulations and legal advices are being followed in that regard.	Action should be taken in terms of FR 104.
(c) General Deposit Accounts -----	According to the time analysis of the balances of the General Deposits as at 31 December 2020, the total of deposit balances not disposed and owned by 07 institutions as per FR 571 was Rs.64,704,758. Several balances have been settled and it has been agreed to settle the remaining balances expeditiously.	Action should be taken in relation to lapsed deposits in terms of FR 571.

(d) Management Inefficiencies  
-----

The contribution, made to the Widows' and Orphans' Pension Fund by deducting the salaries of the employees working in the Province, had been remitted with a delay and an amount of Rs.220,714,592 had been indicated in the statement of financial position for year under review as the balance to be further remitted.

This was delayed due to financial encumbrances of the Provincial Fund.

Arrangements should be made to duly remit the relevant contributions to the Widows' and Orphans' Pension Fund.

(e) Arrears in Employees' Loans  
-----

The total of the balances of the Advances to Provincial Public Officers Accounts as at 31 December of the year under review amounting to Rs.1,243,111,752 had been stated as current assets and loan balances totalling Rs.42,950,767, which had not been recovered for a period more than one year from 918 officers, who had been transferred, retired and deceased, interdicted and who had left the service and had been dismissed, were included in that balance.

The observation of the audit is admitted.

Necessary action should be taken to settle these loan balances through institutions.

**2. Financial Review**  
-----

**2.1 Financial Results**  
-----

According to the financial statements submitted, the result of the operational activities of the Provincial Council Fund for the year ended 31 December of the year under review amounted to a deficit of Rs. 1,654,409,455 and the corresponding deficit readjusted in the previous year was Rs. 1,279,965,187. Owing to the major reasons such as the increase in the recurrent expenditure such as salaries and wages and the other benefits of the year under review by Rs. 3,648,719,987 and the decrease in the tax revenue by Rs. 3,238,506,505 and the decrease in the non-tax revenue by Rs.43,829,379, the deficit has further improved when compared with the previous year.

**3. Operational Review**

**3.1 Performance**

**3.1.1 Government Grants**

Source	Amount Approved (Rs.)	Amount Spent (Rs.)	Underutilization (Rs.)
Provincial Specific Development Grants (PSDG)	905,200,000	862,219,835	42,980,165
Criteria Based Grants (CBG)	605,330,000	542,481,741	62,848,259
Educational Sector Development Project (TSEP)	45,000,000	32,553,100	12,446,900
Second Health Sector Development Plan (HSDP)	220,642,590	219,306,400	1,336,190

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As explained above, a considerable percentage of the approved provision for the year under review had not been utilized for provincial development activities.	The information is correct.	Action should be taken to fully utilize the approved provision for the provincial development activities.

**3.1.2 Provincial Development Plan**

Under the Provincial Development Plan for the year under review, 1,127 proposals for new work and ongoing work estimated at the value of Rs. 1,587 million had been approved. According to the progress reports of the Provincial Council, the progress of the work proposals was as follows.

Particulars	Number of New Work Proposals	Number of Ongoing Work Proposals	Number of Total Work Proposals	Estimated Value of Total Work
				(Rs. Million)
Fully Completed	709	165	874	1,295
Completed more than 50 percent	91	10	101	186
Completed less than 50 percent	140	3	143	104
Not Commenced	9	-	9	2
	949	178	1,127	1,587

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Projects implemented within the Southern Provincial Council in relation to the Special Sector Development Projects (Education) and Special Sector Development Projects (Health) had not been monitored by the Planning Secretariat of the Southern Province and information on the implemented projects under the said programmes had not been included in the above table. It was also observed that the progress of nearly 14 percent of the projects planned to be completed during the year was in a very low level.	Although information has been called from the relevant Ministries, that information has not yet been submitted and the Planning Division had not carried out monitoring activities since the inception of these projects.	The Planning Secretariat of the Southern Province should monitor the projects implemented in the Southern Province and the work to be completed during the year should be completed within the relevant year.

**04 Staff Administration**  
-----

**4.1 Staff Administration in the Institutions of the Provincial Council**  
-----

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- Action had not been taken to fill 3,431 vacancies from the officers in the Provincial Council.	----- I kindly inform you that the vacancies could not be filled as we have to function in compliance with the provisions of the Management Circulars bearing Nos. 1/2019 and 2/2020. The approval of the Director General of Management Services has been sought to fill the vacancies required to be filled expeditiously.	----- Action should be taken to fill the vacancies.

**5. Accountability and Good Governance**  
-----

**5.1 Budgetary Control**  
-----

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
----- Provision totalling Rs.2,700,465,585 had been saved out of the net provisions of Expenditure Head 25 and the values were in the range of Rs.903,837 to Rs. 661,905,773.	----- I admit the audit para. This situation will be taken into consideration in the forthcoming budgeting process.	----- Approved provision should be fully utilized.