

## Southern Provincial Council – Year 2022

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### 1. Financial Statements

#### 1.1 Qualified Opinion

The audit of the financial statements of the Southern Provincial Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report was issued on 26 May 2023. In terms of Section 11(2) of the National Audit Act, the Detailed Management Audit Report was issued on 08 June 2023. This report is submitted to 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 tabling it at the Provincial Council in terms of 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 2022, 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

##### 1.2.1 Accounting deficiencies

###### (a) Southern Provincial Council Fund

|     | <b>Audit Observation</b>  | <b>Comments of the Chief Accounting Officer</b>   | <b>Recommendation</b>   |
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| (i) | Since the assets valued at Rs.22,694,340 received as donations for 03 institutions of the Provincial Council during the year under review and the capital expenditure amounting to Rs.10,323,113 borne by 03 institutions had not been accounted and as a result, the value of property, plant and equipment in the provincial council fund account had been understated by Rs. 33,017,453. | That action will be taken to inform the relevant institutions to account the value of all the fixed assets owned by the institution under property, plant and equipment and to rectify the relevant deficiencies. | The value of property, plant and equipment should be accurately identified and accounted. |

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| (ii)  | The Southern Provincial Revenue Department had invested refundable security deposit amounting to Rs.27,550,000 charged from the mortgage institutions and the interest income for that in fixed deposits. The interest income received for that had been indicated as non-current liabilities and as a result, the interest received for the previous years amounting to Rs.16,274,301 had not been charged to the accumulated fund and the interest received for the year under review amounting to Rs.3,068,229 had not been charged to the revenue of the year. | If the audit recommends that the interest should be taken as revenue, action will be taken to include it in the revenue in the preparation of the Southern Province Fund account for the year ended 31 December 2023.  | Assets, liabilities and revenues and expenses should be clearly identified and accounted.  |
| (iii) | Even though the value of property, plant and equipment had been Rs.49,091,426,823 as at 31 December of the year under review, the balance of the capital reserve account had been Rs.54,842,751,185 and as a result, there had been a difference of Rs.5,751,324,362.  | Having differences between account balances cannot be prevented. The reason for this is that when fixed assets are recognized and accounted first, the fixed assets account has been debited and the consolidated funds account has been credited. Hence capital reserves had not been created. Moreover, there is a difference between the account balances as an amount equal to the proceeds of the disposal is transferred from the capital reserve account to the disposal account in the disposal of the assets. | Double entry should be done accurately. The value of property, plant and equipment and the capital reserve account should be reconciled. |
| (iv)  | Although the debtor and creditor balances should be indicated separately in indicating the balance of the advance account of the provincial public officers, the creditor balance of Rs.29,462,767 existed as at 31 December of the year under review had been deducted from the debtor balance.   | That action will be taken to indicate the debtor and creditor balances separately in the preparation of the financial statements for the year 2023.  | Arrangements should be made to show the debtor and creditor balances separately in the advances to public officers account.              |

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| (v)   | Since action had not been taken to capitalize the value of the capital expenditure totalling to Rs.329,355,947 incurred from the year 2019 to 31 December of the year under review as Civil Works under the provisions of the Primary Health Services Empowerment Project (PSSP), property, plant and equipment in the Southern Provincial Council fund account had been understated by that amount.   | That all the capital expenses that should be capitalized will be capitalized and the relevant error will be rectified.  | All the expenses to be capitalized should be capitalized.   |
| (vi)  | As the amount of Rs.22,176,843 to be paid under Provincial Specific Development Grants as at 31 December of the year under review and the amount of Rs.9,737,787 to be paid for vehicle repairs had not been accounted as liabilities and commitments of the Southern Provincial Health Services Department, accrued expenses of the Southern Provincial Fund account had been understated by Rs.31,914,630.   | All the liabilities and commitments related to the period will be accurately identified and the relevant error will be rectified in the preparation of the financial statements.  | commitments and liabilities should be identified accurately and accounted.  |
| (vii) | Although the settlement of imprest had been indicated as Rs.401,793,057 in the cash flow statement of the Southern Provincial Fund Account, including the settlement of imprest amounting to Rs.518,501 under the Department of Provincial Revenue of the Southern Province (Head 324) in the year under review, the settlement of imprest had been Rs.3,691,551,946 according to the monthly account summaries of the Department of Provincial Revenue. As a result, the settlement of imprest under cash flows generated from financial activities had been understated by Rs.3,691,033,445. | Not agreed with the audit observation. According to the monthly account summaries of the Southern Province Revenue Department, imprest settlement has been Rs.518,501. That the value of settlement of imprest indicated in the Southern Provincial Fund Account is accurate. | Settlement of imprest and settlement of remittances collected by the Provincial Revenue Department should be clearly indicated in the financial statements. |

## 1.2.2 Unreconciled control accounts

### (a) Southern provincial Fund

|      | <b>Audit Observation</b>  | <b>Comments of the Chief Accounting Officer</b>   | <b>Recommendation</b>   |
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| (i)  | There had been differences amounting to Rs.559,054,428 between the balances indicated in the financial statements for the year under review of the Chief Secretariat of the Southern Province and the Deputy Chief Secretariat (Planning) and the balances indicated in the subsidiary documents.   | That action will be taken to inform the relevant institutions to take necessary measures to identify and rectify the difference between the balance according to the fixed assets register and the balance according to the financial statements.   | Action should be taken to reconcile the account balances and to prepare the financial statements. |
| (ii) | The stamp duty and court fines to be paid to the local authorities under current liabilities in the statement of financial position of the Southern Province Fund Account had been Rs.109,047,728 and Rs.9,382 respectively. Those values were Rs.1,942,706,787 and Rs.47,114,400 respectively according to the financial statements submitted by the respective local authorities in the year under review. Accordingly, there was a difference of Rs. 1,880,764,077 in the total of court fines and stamp duty. | According to the registers on stamps and court fines to be paid, stamp duty and court fines to be paid further as at 31 December 2022 has been Rs.109,047,726 and Rs.9,382. Action has been taken to make the local authorities aware of the relevant values.<br><br>Therefore, the local government bodies have been notified to include the balance that is notified by the Treasury in the accounts. | Action should be taken to reconcile the account balances and to prepare the financial statements. |

## 1.2.3 Accounts Receivable

|  | <b>Audit Observation</b>   | <b>Comments of the Chief Accounting Officer</b>  | <b>Recommendation</b>   |
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|  | The balance of the advances to provincial public officers account as at 31 December of the year under review had been indicated as Rs.1,339,747,082 and the loan | Apart from the information related to the loan balance of the Walasmulla Zonal Education Office, loans amounting to Rs.17,423,083 of | Necessary action should be taken to settle the respective loan balances |

balance amounting to Rs.69,437,646 316 officers, out of 4,019 promptly.  
to be recovered from 3,815 officers, officers, who had been  
who had been transferred, retired, transferred, deceased and  
deceased, interdicted and vacated the retired, interdicted and vacate  
post. the posts in the other  
institutions, had been settled  
and action is being taken to  
settle the remaining loan  
balances.

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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The 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.
- 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 Council’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

#### Noncompliance with Laws, Rules and Regulations

| Reference to Laws, Rules and Regulations  | Non-compliance  | Comments of the Chief Accounting Officer  | Recommendation   |
|---|---|---|--|
| Section 4.1 of the “Public Expenditure Management” Circular No. PS/CSA/11-18 dated 12 October 2018. | A sum of Rs. 741,582 had been paid from Governor’s Secretariat for 4317.50 litres as additional fuel for the vehicle reserved for the Governor without considering the maximum monthly fuel quantity/allowance entitled to the Governor and | That the provisions related to the payment of fuel allowances to Honourable Governors of Provincial Councils as mentioned in the said Circular of the Secretary to the President are accepted and additional fuel had to be obtained as the scope of duties of the Provincial Governors | Attention should be paid to public expenditure management and national policies. |

without complying to the Circular. In addition to that, a Toyota Jeep had also been allocated to the Governor of the Southern Province without complying with Paragraph No. 03 of the aforesaid Circular.

had been expanded with the dissolution of the Provincial Council after 10 April 2019. That another vehicle had been reserved for the Honourable Governor as a pool vehicle when the vehicles allocated for duties of the Honourable Governor is repaired. There were no 04 vehicles instead of the 03 vehicles that can be reserved as per the Circular.

### 1.5.2 Head 301 – Provincial Council Secretariat

#### Noncompliance with Laws, Rules and Regulations

| Reference to Laws, Rules and Regulations  | Non-compliance  | Comments of the Chief Accounting Officer  | Recommendation   |
|---|---|---|--|
| (a) Letter No. G/SP/1/57 of Volume 01 of the Secretary to the Southern Provincial Governor dated 09 August 2010 | An allowance of Rs.1,350,000 had been paid to the Chairman of the Southern Provincial Council without complying with the letter for renting a house for the period from August 2020 to October 2022,                                      | That the payment of this allowance has been suspended from October 2022.  | Actions should be taken to recover the rent paid without being complied. |
| (b) Circular of the Secretary to the President  | Even though the office allowances could not be paid after the dissolution of the Provincial Council, Rs.1,850,000 had been paid as office allowance to the Chairman of the Southern Provincial Council from October 2019 to October 2022. | That there is no any statement in relation to the office allowance as per the Circular and there is no statement to prevent from paying the other allowances not included in the said Circular and that this allowance has been given as per the approval received by the letter of the Chief Secretary of the Southern Province bearing No. CSS/7/1/2 dated 31 May 2019, and | Action should be taken in compliance with the Circular.                  |

- according to Circulars No. PS/CSA/11-18(1) and (11) issued in the year 2022, the payment of this allowance has been stopped from October 2022.
- ii. Section 4.1 of the Circular No. PS/CSA/11-18 dated 12 October 2018
- Despite the entitlement to 500 litres of fuel for a diesel vehicle as per the referred Circular, a sum of Rs.708,000 had been paid to the Chairman of the Southern Provincial Council for 3,900 litres of diesel from July 2019 to September 2022 as per the letter of the Governor of Southern Province dated 09 July 2019 owing to obtaining 600 litres of fuel for a diesel vehicle. Furthermore, an excess amount of Rs. 682,525 had been paid due to making payments based on super diesel rates without complying with the instructions of the Circular.
- That the Governor has approved the fuel allowance of 600 litres of diesel per vehicle for the two official vehicles of the Honourable Chairman from April 2019 and according to the Circular on public expenditure management, no instructions have been given on the type of fuel to be given in the payment of fuel allowances, the instructions are valid only for the period of 2014 - 2016 according to the National Budget Circular No. 2014/1, Super Diesel has been provided for that period and the pool and reserved vehicles of the Provincial Secretariat, except for the vehicle provided to the Chairman according to the Circular of the Chief Secretary bearing No. 2023/01, fuel allowance will be paid on the basis of normal diesel/petrol rate from 01 April 2023.
- Action should be taken in compliance with the Circular.
- iii Section 4.2 of Circular No. PS/CSA/11-18 dated 12 October 2018
- In contrary to the referred Circular, Coordinating and Public Relations Secretaries to the Chairman of the Southern Provincial Council had been provided with a vehicle allowance of
- According to Section 3.4 of the Circular, the said officials are entitled to obtain one official vehicle. Since there were no additional vehicles to provide them at that time, action had been to provide a vehicle allowance and the payment of this allowance has been stopped from October 2022.
- Arrangements should be made to settle the payments made in contrary to the Circular.



Rs.3,700,000  
 comprised of Rs.50,000  
 each per month from  
 October 2019 to  
 October 2022 and a  
 fuel allowance of  
 Rs.2,516,680 had also  
 been paid from August  
 2019 to October 2022  
 although official  
 vehicles had not been  
 provided.

### 1.5.3 Head 302 - Southern Provincial Public Service Commission

#### Noncompliance with Laws, Rules and Regulations

| Reference to Laws, Rules and Regulations   | Non-compliance  | Comments of the Chief Accounting Officer   | Recommendation   |
|--|---|--|--|
| Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 | A sum of Rs.2,483,595 had been paid as fuel allowances to 02 officers in 01 post in the Public Service Commission from May 2019 to 31 December 2022. Out of that, an amount of Rs. 254,780 had been paid for super petrol and super diesel without complying with paragraph 2.1.3 (ii) of the National Budget Circular No. 01/2014 dated 02 January 2014. | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 to the officers, who are entitled to the official vehicles in the Southern Province based on the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019. That a committee consisting of senior staff officers has been appointed to check and report on this and the recommendations of the committee have been obtained. | Action should be taken carefully in relation to the national policies and public expenditure management. |

#### 1.5.4 Head 303 - Southern Provincial Co-operative Employees' Service Commission

##### Irregular Transactions

| <b>Audit Observation</b>  | <b>Comments of the Chief Accounting Officer</b>  | <b>Recommendation</b>   |
|---|--|---|
| Although a sum of Rs.3,045,421 had been paid to the Chairman of the Advisory Committee of the Cooperative Employees' Pension Fund, 06 members and 12 officers of the staff from January 2020 to December 2022 as allowances from the Pension Fund only with the approval of the Governor, regulations in relation to making payments to the staff or regulations for making the other payments had not been indicated as per the regulations related to the Fund. | According to Section 07 of the Cooperative Employee Pension Scheme Statute No. 02 of 2019 of the Southern Provincial Council, it has been stated that a remuneration can be paid as determined by the Minister in charge of Cooperatives with the agreement of the Minister of Finance of the Southern Provincial Council. Accordingly, the said allowance has been paid on the approval of the Honourable Governor. | Action should be taken in accordance with the public expenditure management and national wage policies. |

#### 1.5.5 Head 304 - Southern Provincial Chief Minister and Ministry of Finance and Planning, Law and Order, Local Government, Transport, Health and Local Medicine, Tourism and Engineering Services

##### Noncompliance with Laws, Rules and Regulations

| <b>Reference to Laws, Rules and Regulations</b>   | <b>Non-compliance</b>   | <b>Comments of the Chief Accounting Officer</b>  | <b>Recommendation</b>  |
|---|---|--|--|
| Public Administration Circular bearing No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008 (V) dated 31 May 2019 | A sum of Rs.6,679,200 had been paid as fuel allowances for 08 officials in 04 positions in the Southern Provincial Chief Ministry from May 2019 to 31 December 2022. Out of that, an amount of Rs. 910,415 had been paid for super petrol and super diesel without complying with paragraph 2.1.3 (ii) of | As per the approval of the Honourable Governor, the fuel allowance of the officers entitled to official vehicles in the Southern Province based on the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019 has been paid from May 2019. A Committee consisting of | Action should be taken carefully in relation to the national policies and public expenditure management. |

National Budget Circular No. 01/2014 dated 02 January 2014. senior staff officers has been appointed to check and report on this and the recommendations of the committee have been obtained.

### 1.5.5.1 Southern Province Road Passenger Transport Authority

#### (a) Accounting Deficiencies

| Audit Observation   | Comments of the Chief Accounting Officer  | Recommendation   |
|---|---|--|
| (i) Even though the balance of the gratuity allocation account as per the estimate of the gratuity expenses at the end of the year under review should be Rs.63,306,577, the balance had been indicated as Rs.62,410,389 according to the statement of financial position and as a result, a difference of Rs.896,188 was observed. Therefore, the gratuity expenditure of the year had been understated by that amount.  | That is due to the allocation for gratuity after deducting the amount of interest received for the savings account. | Allocations for Gratuity should be made in accordance with Sri Lanka Public Sector Accounting Standard No. 19.       |
| (ii) A cheque worth Rs.1,282,455 had been drawn for the purchase of 08 log sheet machines (POS Machines) at the end of the year under review and it had been kept in the custody of the Accountant of the Institution and the relevant machines had not been received by the Authority even by 01 March 2023, the date of audit. However, the value of those machines had been indicated under property, plant and equipment of the Authority at the end of the year under review and as a result, the value of the property, plant and equipment had been overstated by Rs.1,282,455 and the depreciation expenditure related to that had been overstated by Rs.296,826. | That these purchases were made on the financial allocation of the year 2022.  | Assets and related depreciation should be identified according to Sri Lanka Public Sector Accounting Standard No. 7. |

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| (iii) | One hundred and fifteen (115) loudspeakers worth Rs.3,018,300 had been purchased from a supplier under provincial specific development grants as at 31 December 2021, and the assets had not been capitalized even by 31 December 2022. As a result, the value of the property, plant and equipment had been understated by that amount.   | That it will be rectified in the year 2023 and will also be updated in the asset register.  | Assets and related depreciation should be identified according to Sri Lanka Public Sector Accounting Standard No. 7.                    |
| (iv)  | As 222 security cameras valued at Rs.8,236,900 had not been accounted as fixed assets, the value of property, plant and equipment had been understated by that amount.   | That will be rectified in the future.   | Assets and related depreciation should be identified according to Sri Lanka Public Sector Accounting Standard No. 7.                    |
| (v)   | The amount of Rs.1,790,180 to be remitted to the National Transport Commission had been kept in a current account and the amount had not been indicated as an expenditure to be paid at the end of the year under review.  | As it should be paid to the National Transport Commission, it cannot be taken on accrual basis until it is permanently identified and therefore, it has not been accrued. However, it will be adjusted this year. | Expenditure relating to the year under review should be identified in the accounts in the relevant year.                                |
| (vi)  | Although Repurchase Agreements (REPO) of Treasury Bills amounted to Rs.229,000,000 in the year 2022 had been invested as fixed deposits of Rs.10,000,000 in 01 months, Rs.30,000,000 in 03 months and Rs.59,080,000 to be matured in 12 months, accounts had not been opened in the General Journal. Although an interest income of Rs.6,008,800 had been earned from repurchase agreements of treasury bills (REPO) and investments in fixed deposits, the manner of earning it had not been disclosed in the financial statements. | That the interest earned from REPO or fixed assets be disclosed in the financial statements in the future years.  | All the transactions of the Institution should be recorded in ledger accounts. All income must be included in the financial statements. |

(b) **Noncompliance with Laws, Rules and Regulations**

| <b>Reference to Laws, Rules and Regulations</b> | <b>Non-compliance</b>   | <b>Comments of the Chief Accounting Officer</b>  | <b>Recommendation</b>  |  |
|---|---|--|--|--|
| National Budget Circulars                       | Paragraph 03 (vii) of the Circular Ministry of Finance bearing No. 03/2022 dated 26 April 2022. | Although the preliminary work for the recruitment of employees has been done according to the Circular and although the recruitment for the positions that have not yet been appointed should be postponed, a total of Rs.2,896,161 had been paid as salaries and allowances until 31 December 2022 by recruiting 12 employees on 24, 27 and 28 June 2022 in contrary to that. | That the Conditions mentioned in the Circular have been violated through the recruitments made, but arrangements have been made to make the 05th point mentioned in the Circular a reality without harming its main objective. | Action should be taken by following the government policies and provisions of the Circulars. |

**1.5.5.2 Southern Provincial Development Authority**

(a) **Accounting Deficiencies**

| <b>Audit Observation</b>  | <b>Comments of the Chief Accounting Officer</b>   | <b>Recommendation</b>  |
|---|---|--|
| (i) Although a special allocation should be made for identified debtor balances, in addition to general allocation for debtor balances according to the protection concept, special provision for loans had not been made for inactive debtor balances worth Rs.2,970,000 in the Development Authority. | After ascertaining the ability to recover the debt, if it is not possible, a provision for the same will be made in the future. | Special provisions should be made for special debtors, who are identified as debtors, from whom recoveries cannot be made. |

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| (ii)  | Under the Southern Provincial Entrepreneurship Divibala Development Loan Project (Speed Loan), the loan interest amounting to Rs.12,296,814 included in the computer system maintained by the institution for revolving debtors had not been indicated in the financial statements.   | That it will be rectified and presented in a revised financial statement in the future.  | Interest related to the year should be identified and accounted.  |
| (iii) | In the calculation of the interest for revolving debtors under the Southern Province Entrepreneurship Development Loan Project (Speed Loan), the interest of Rs. 3,756,742 payable by the debtors, who had not paid the loan on time as per the agreement, related to the outstanding period of over 03 years had not been accounted even in the computer system until the loan is paid.            | Accounting of debt interest and debtor balance of debtors outstanding for over 03 years has not been accounted as there is a risk of recovery. | Interest should be charged from the debtors, who do not pay the loan in due time (expired the 03 years) and it should be accounted.   |
| (iv)  | According to the credit control system maintained by the Authority for revolving debtors under the Southern Province Entrepreneurship Divibala Development Loan Project (Speed Loan), the balance as at 31 December of the year under review had been Rs.47,668,376 and that value had been Rs.38,360,005 in the financial statements and as a result, there had been a difference of Rs.9,308,371. | As the difference is in the opening balance, it will be rectified in the future.   | The balance according to the accounting system and the balances according to the computer system should be confirmed as periodically accurate and reconciliation statements should be prepared. |

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| (v)  | The interest of Rs.4,313,425, out of the interest receivable for the fixed deposit of Rs.40,000,000, initiated on 20 June 2022 in the year under review for a period of one year, related to the year under review had not been recognized and accounted. | That it will be rectified and presented through a revised financial statement in the future.                     | In the preparation of financial statements, arrangements should be made to recognize the income related to the period.                   |
| (vi) | The amount spent on newly opened fixed deposit amounting to Rs.35,000,000 in the year under review had not been indicated as a cash flow in the cash flow statement.  | It has been stated that the error will be rectified in the preparation of the final account in the ensuing year. | In the preparation of the cash flow statement, all the cash flows generated during the year under review should be correctly identified. |

(b) **Irregular transactions**

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| (i) | Even though the biogas unit built in Labuduwa farm investing a total of Rs. 2,467,718 comprised of Rs.700,000 from the Southern Provincial Development Authority in 2018 under the criteria-based development plan, and Rs. 1,767,718 of Department of Agriculture of the Southern Province in the year 2019, had been completed and handed over on 12 June 2019, and although the Deputy Director of Agriculture (Projects) had been informed by the farm manager about the problems in the functioning of this biogas unit from June 2019, action had not been taken to restore the functioning of the unit until December 2022. | It is accepted that this unit is currently not in working condition, and that this unit has been in operation for about a year since June 2019, and according to the request of the Deputy Director of Agriculture, the Engineering Research Institute should carry out a physical inspection after removing the solid waste there. It can be cleaned and a report can be given after paying money to Nerd Institute and accordingly, the selected institute has agreed to contract for the removal of the decomposed faecal waste for an amount of Rs.392,000. | Initiated projects should be properly controlled and maintained and action should be taken to achieve the desired objectives. |
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| (ii)  | There had been a difference of Rs. 2,347,414 as per the cash book receipts and computer programme as at 31 October 2022 under the Southern Provincial Entrepreneurship Development Loan Project of the Southern Provincial Development Authority. Action had not been taken in accordance with the first schedule of the second volume of the Establishments Code in relation to misappropriation of loan receipts totalling to Rs.149,000 by altering the order of serial numbers of 13 receipts. | That the Board of Directors will give a decision to carry out preliminary investigations related to the subject officer and carry out further work accordingly.  | Receipts should be reconciled according to the cash book and the computer programme and the difference should be identified. Action should be taken in relation to the financial irregularities according to the provisions of the Establishments Code. |
| (iii) | There had been delays from 05 to 11 months in recording the loan amount recovered by M-CASH in the cash book and there had been instances, where the loan number and name had not been recorded when issuing the receipts.   | That the M-CASH value of the relevant month will be given to be recorded in the cash book in the ensuing month after receiving the bank statement and there has been an omission as they were in another office due to the repair of the roof and the subject officer has been informed that the P.I.V. for the M-CASH service should be handed over to the accounts department without delay. | There should be a good control and supervision over the maintenance and upkeep of subsidiary registers and sheets.  |

(c) **Management Inefficiencies**

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| Although the allocations provided to the Southern Provincial Development Authority should be used to fulfil the objectives and tasks of those institutions, fund amounting to Rs.44,250,000 had been invested in fixed deposits without being utilized for the said objectives. | That the amount received during the transfer of the assets of the Matara District Integrated Rural Development Project to the Southern Provincial Development Authority, the amount of security of a loan project and the money of the temporarily suspended Dasuna loan scheme have been included in the fixed deposits of the Authority. | The money concerned should be used to achieve the objectives of the institution. |
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### 1.5.5.3 Ruhunu Tourism Bureau

#### (a) Accounting Deficiencies

| <b>Audit Observation</b>   | <b>Comments of the Chief Accounting Officer</b>                        | <b>Recommendation</b>               |
|--|--|-------------------------------------|
| (i) According to the opening journal entry and general ledger of the year 2022, a difference of Rs.38,779,461 was observed in 05 accounting subjects.  | That the general ledger will be correctly indicated again.             | To be corrected by journal entries. |
| (ii) Twenty-three (23) journal entries (excluding journal entries relating to opening balances) totalling to Rs.24,650,273 recorded in relation to the year under review had not been adjusted accurately to the general ledger. | That the general ledger will be promptly prepared again and corrected. | General ledger should be corrected. |

#### (b) Management Inefficiencies

|  |  |  |
|--|--|--|
| Although the allocations given to Ruhunu Tourism Bureau should be used to fulfil the objectives and tasks of those institutions, funds amounting to Rs.19,144,036 had been invested in fixed deposits without being utilized or the said objectives. | The Statutes, under which the institutions had been established had not restricted the investment of money in fixed deposit accounts. That the fixed deposits of Ruhunu Tourism Bureau include the income earned from the projects implemented by the institution. | The money concerned should be used to achieve the objectives of the institution. |
|--|--|--|

#### (c) Idle / Underutilized Assets

|  |   |   |
|--|---|---|
| The Ambalangoda Information Centre belonging to the Ruhunu Tourism Bureau valued at Rs.1,391,298 as at 31 December 2022 had remained underutilized since 2018. | That action will be taken to discuss with the Board of Directors and to take immediate action in this regard. | Action should be taken to transfer this land to the Bureau. |
|--|---|---|

## 1.5.6 Head 305 - Department of Health Services Southern Province

### (a) Management Inefficiencies

| Audit Observation   | Comments of the Chief Accounting Officer   | Recommendation   |
|---|--|--|
| (i) Although a person who worked as a health care assistant had been interdicted from work on 21 October 2020 for possession of drugs and was convicted on the decision of the court dated 02 July 2021, disciplinary action was continuously delayed. Half of the salaries had been paid from June 2021 to November 2022 and a balance of Rs.306,536 had to be recovered by 31 December 2022 as the total of the disaster loan, property loan and bicycle loan obtained by that person.            | That this situation has arisen as the Ministry had not completed the investigation and reported.   | Disciplinary action should be taken promptly.  |
| (ii) Although the money held in the deposit account had been released and payments had been made after receiving 04 machines purchased for Rs. 13,681,000 in December 2022 on the basis of Supply Installation and Commission for Kamburupitiya and Tangalle Hospitals under the rural health development programme of 2021, the machines remained idle without being implemented owing to the lack of holding equipment and accessories for the machines even by the end of the year under review. | That the money was released after obtaining the supply in the year 2022 by keeping money in general deposits as it is more advantageous to get the equipment from the provision allocated for the year 2021. | Needs must be identified, procurement should be done and the conditions of purchasing should be fulfilled and payments should be made. |

### (b) Vehicle Utilization

|  |  |  |
|--|--|--|
| According to the estimate of Rs.363,192 on 11 April 2022 for the ambulance of Elpitiya Base Hospital, the ambulance had been submitted to a private institution for repairing and a bill of Rs.362,753 had been submitted on 19 May 2022, the vehicle had been handed over to the relevant institution for repairing due to a defect occurred again in the vehicle on an estimate of Rs.651,019 on 25 May 2022. However, even after that | The audit observations are accepted and after the two repairs a third repair had been submitted due to a recurring defect. As the Medical Superintendent of Elpitiya Hospital has been informed that the mechanical engineer of the department | It should be promptly repaired and put into effective use and the reasons for this should be investigated. |
|--|--|--|

repair, the defects of the vehicle had not been resolved, and as a result, it was delivered again on 28 November 2022 at an estimate of Rs.1,679,877. As the recommendations of the mechanical engineering unit had been changed from time to time and not formally received, the ambulance remained in the relevant institution without repair even by 23 February 2023.

cannot give recommendations for this, action has been taken to obtain a recommendation for this by a committee of technical officers on a decision made at the Elpitiya Hospital Development Management Committee meeting.

(c) **Identified Losses**

Although a full report should be submitted within three months from the date of the loss according to the Southern Provincial Financial Rule 54.6, the Department of Health Services of the Southern Provincial had not functioned so regarding 15 vehicle accident cases in the Provincial Council amounting to Rs.8,409,183. Moreover, action had not been taken in respect of 40 cases with a value of Rs.20,573,125 under losses to be further recovered or written off or waived.

That related activities regarding accidents and losses are completed promptly and reported to the audit.

Action should be taken as per Financial Rules.

(d) **Asset Management**

Action had not been taken to establish the ownership of the lands, where the offices of the Medical Officers of Health namely, Gonapinuwala, Elpitiya, Akmeemana, Habaraduwa and Bope Poddala were located. Accordingly, it was also observed that some lands are being occupied by unauthorized occupants and are being enjoyed.

Observations have been accepted. Action are being taken in relation to the settlement of the lands.

Immediate action should be taken to remove the unauthorized occupants as well as action should be taken to acquire the possession of the lands.

### 1.5.7 Head 306 - Department of Local Government, of the Southern Province

#### (a) Noncompliance with Laws, Rules and Regulations

| Reference to Laws, Rules and Regulations   | Non-compliance   | Comments of the Chief Accounting Officer   | Recommendation  |
|--|--|--|---|
| i. Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008 (V) dated 31 May 2019                                       | Rs.1,757,590 had been paid as fuel allowances for 02 officials in 01 position in the Department of Local Government of Southern Province from May 2019 to 31 December 2022. Out of that, an amount of Rs. 222,960 had been paid for super petrol and super diesel without complying with paragraph 2.1.3 (ii) of the National Budget Circular No. 01/2014 dated 02 January 2014. | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 for the officers entitled to official vehicles in the Southern Province based on the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019. That a committee consisting of senior staff officers has been appointed to check and report on this and the recommendations of the committee have been obtained. | Should function carefully in relation to the national policies and public expenditure management. |
| ii. Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 of 1988 and to the Circular of the Secretary to the President bearing No. SP/CSA/07/07 dated 18 May 2007 | 536, 652, 739, 689 and 771 members, out of 1,131 elected members for 49 local authorities in Galle, Matara and Hambantota districts, had not submitted their annual asset and liability statements from 2018 to 2022 respectively.   | As instructions have been sought from the Chief Secretary of the Ministry of the Southern Province by the letter of the Commissioner of Local Government dated 09 May 2023 regarding the officer, who should take action regarding the members, who have not submitted their declarations of assets and liabilities, and that the related decisions will be taken and reported subsequently in that regard.  | Relevant asset statements should be submitted as per the referred regulations.                    |

- iii. Sections 172 (8), Person, who should pay (9) of the surcharges, shall pay the Pradeshiya relevant amount to the Sabha Act No. Commissioner of Local Government within 14 days 15 of 1987 from the date of notification of the decision of the Auditor General. Even though the Commissioner of Local Government should apply to the district court having jurisdiction in the area, where the concerned person resides and arrange for the recovery of the relevant money if the money has not been paid and no appeal has been made, action had not been taken in accordance with the said Directives in relation to 11 surcharge certificates amounting to Rs.9,195,274 issued by the Auditor General in various instances even by the end of the year under review.
- Although appeal Arrangements investigation reports for 02 and 05 surcharges in Galle should be made to recover the and Matara districts surcharge money respectively have been on time. submitted to the Secretary of the Ministry, the decisions have not yet been notified.
  - Two (02) persons who should pay surcharges, have been prosecuted in relation to 01 surcharge in Matara District, and the Honourable Court has ordered on 03 May 2023 that one of these surcharge payers should pay Rs. 50,000 per month within one year. The case is scheduled to be called again at the Matara Magistrate Court on 05 July 2023 for the other surcharge payer, and the Assistant Commissioner of Local Government of Matara has been informed to provide inspection reports in terms of the relevant forms for 03 surcharges related to Matara district.

(b) **Management Inefficiencies**

| <b>Audit Observation</b>  | <b>Comments of the Chief Accounting Officer</b>  | <b>Recommendation</b>  |
|---|--|--|
| As a formal waste management process has not been implemented in 19 of the 49 Local Government Bodies in the Southern Province, action had not been taken to accomplish the objective of "confirming that a formal waste management process is implemented in all the local government bodies". | The reasons for non-implementation of a formal waste management in 19 out of 49 local government bodies are lack of space in local government bodies, lack of permanent land, insufficient provision, lack of machinery, | Since it is an environmental protection programme, alternative measures should be taken to implement a waste |

lack of skilled workers and management  
public protests. process in every  
local government  
body.

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

**(a) Accounting Deficiencies**

| Audit Observation   | Comments of the Chief Accounting Officer         | Recommendation                               |
|---|--|--|
| The value of Covid wards of 03 Ayurvedic hospitals, which were modernized by the Chief Ministry of Southern Province at a cost of Rs.18,560,789 in the last year and the value of 03 generators and accessories received to Varella, Aparakka and Beliatta Ayurvedic Hospitals in the year under review totalling to Rs.7,763,700 had not been brought to accounts. | That the amounts have been accounted at present. | All assets must be identified and accounted. |

**(b) Transactions not supported by adequate authority**

**Failure to comply with the limits**

**Commercial Advance Account**

|   |  |   |
|---|--|---|
| It had been failed to reach the minimum limit by Rs.1,779,469 and maximum limit of debit balance had been exceeded by Rs.2,701,613 in relation to Beliatta Pharmaceutical Product Advance Account of the Department of Ayurveda of the Southern Province. | That if there were sufficient provision to pay the amount of Rs.18,061,611 to be paid to the Pharmaceutical Factory by the Department of Ayurveda of the Southern Province, it would definitely have been able to reach the revised receipt limit and debit balance limit. | Arrangements should be made to revise the limits. |
|---|--|---|

(c) **Liabilities and Commitments**

Although there had been a debit balance of Rs.18,061,611 in the name of the Department of Ayurveda according to the Commercial Advance Account of Beliatta Factory as at 31 December of the year under review, that value had been accounted under liabilities in the financial statement of the Department of Ayurveda. That will be rectified in the future. Preparation of the financial statements should be carried out accurately.

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

**Noncompliance with Laws, Rules and Regulations**

| <b>Reference to Laws, Rules and Regulations</b>   | <b>Non-compliance</b>   | <b>Comments of the Chief Accounting Officer</b>  | <b>Recommendation</b>   |
|---|---|--|---|
| (i) National Budget Circular of the Secretary to the Treasury bearing No. 08/2022 dated 25 November 2022        | In contrary to the referred Circular provisions, Southern Provincial Ministry of Education had conducted the programme of evaluating the results of Aesthetic subject of the G.C.E. (Ordinary Level) Examination for the year 2022 by spending Rs.4,864,268 on 29 November 2022 and only Rs.2,574,200 had been spent for the gifts of the evaluation programme. | The programme was held on 29 November 2022 on the approval granted by the Governor for the entire programme, and the total cost, including gifts for nearly 1500 teachers and education officers was Rs. 4,864,268 and it included Ruhunu ransalu vouchers provided as gifts to teachers, teacher advisors and principals from the Industrial Development Department and the cost for that was Rs.2,574,200. | Should not take action in contrary to the Circulars on Expenditure Control.                 |
| (ii) Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration | An amount of Rs. 361,905 had been paid for super petrol and super diesel for 05 officers in 04 posts in the Southern Provincial Ministry of Education from January 2022 to 31 December without complying with paragraph 2.1.3   | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 for the officers entitled to official vehicles in the Southern Province based on the Circular of the  | Action should be taken carefully about national policies and public expenditure management. |

Circular No. (ii) of National Budget Circular Chief Secretary of the  
 13/2008(V) dated No. 01/2014 dated 02 January Southern Province bearing  
 31 May 2019 2014. No. 02-2019 dated 16 May  
 2019. That a committee  
 consisting of senior staff  
 officers has been  
 appointed to check and  
 report on this and the  
 recommendations of the  
 committee have been  
 obtained.

### 1.5.9.1 Southern Provincial Road Development Authority

#### (a) Accounting Deficiencies

| Audit observation  | Comments of the Chief Accounting Officer  | Recommendation   |
|--|---|--|
| (i) A fund for the payment of gratuity and a corresponding investment had not been initiated and maintained as per Sri Lanka Public Sector Accounting Standards No. 19.  | A fund and corresponding investment is already being maintained. An amount of Rs.1,000,000 is being received monthly for that and the amount will be maintained separately. | Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards No. 19. |
| (ii) Although information pertaining to contingency liabilities should be disclosed through account notes according to Sri Lanka Public Sector Accounting Standard No. 08, information about the existing 25 cases filed against the authority by various parties had not been disclosed through account notes. Moreover, among those cases, there had been a case, in which an officer who worked in the Authority had demanded Rs. 10 million as compensation. | That it will be included in the ensuing year.   | Action should be taken in accordance with Sri Lanka Public Sector Accounting Standards No. 08. |



- (iii) The amount of Rs.2,587,365 withheld from the contract value in making contract payments by the Southern Provincial Road Development Authority had been retained in a separate current account without accounting through cross entries. I cannot agree with this observation. When entering Account entries, they should be made uniformly.
- (iv) There had been an opening balance of Rs.179,890,190 in the “Provincial Specific Development Grants to be Received” account at the beginning of the year under review. Although the balance of Rs.3,374,791 left in the account after writing off the amount of Rs.176,515,399, over-allocated in the year under review, out of the allocation of Rs.184,790,566 made for 103 projects, which had not been implemented in the previous year, against that account, had been transferred to the account called “deficiency in road account” without any approval, it had not been disclosed in the account notes of the current year. Although Rs. 184,790,566, the value of continuous and bills in hand have been accrued, the accrued amount could not be paid further according to the instructions received to hold 36 percent due to the severe financial crisis in the country, action was taken to remove the amount through a journal entry. In identifying accrued expenses, they should not be incurred without ascertaining whether they are actually a liability. Moreover, the ledger accounts related to the relevant accounts should be maintained.
- (v) Debtor balances totalling to Rs.89,038,112 and creditor balances totalling to Rs.293,617,610 have been indicated in the financial statements for a long time, and action had not been taken to settle them. That action will be taken to rectify. Arrangements should be made to settle the existing balances in accounts receivable and payable.

- (vi) Although there had been a balance of Rs.99,903,208 to be received from the Matara District Secretariat under Account Note No. 09, such a balance had not been indicated in the financial statements of the District Secretariat for the year 2022.
- The Authority has informed the Matara District Secretariat about this receivable amounts in the relevant years. That an account payable in that regard should be maintained by the District Secretariat.
- Arrangements should be made to settle long-standing accounts receivable.

(b) **Management Inefficiencies**

- (i) As decided in the discussion of the Chief Secretary of the Southern Province on 01 February 2022, it had also been proposed to develop 2 km on the Hambantota - Situlpawwa Temple road to implement the pilot project of the Southern Province for using non-recyclable plastic to asphalt concrete roads. Accordingly, the relevant industry had been included in the action plan for the year 2022. Although the General Manager of Southern Provincial Road Development Authority and District Engineer of Hambantota had been assigned the task of preparing estimates in this regard, any action had not been taken even by the date of this report.
- It was proposed in the meeting held on 01 February 2022 under the chairmanship of the Chief Secretary to use 2 km of Situlpawwa road belonging to the Tissa Regional Engineering Office of the Southern Provincial Road Development Authority for the southern provincial pilot project of using non-recycled plastic and asphalt for concrete roads, and it was informed in that meeting that the relevant estimate should be given to AGC Innovate private company and further steps will be taken accordingly.
- The Management should function to implement the matters included in the action plan in compliance with that action plan.
- (ii) When a separate unit has been set up for the repair of vehicles in the Road Development Authority, Rs.7,400,200 had been spent on the repair of the vehicles owned by the Authority from external agencies during the year under review.
- The limited human resources of the unit will be used for this purpose and the vehicles to be fully repaired will be carried out by external institutions in accordance with the formal tender procedure as recommended by the mechanical engineer.
- Efforts should be made to reduce the maintenance done by external institutions by increasing the efficiency and productivity of the unit set up for vehicle repair.

- (iii) Even though the bills in hand to be settled in the next accounting year and the transactions that took place after the completion of related tasks should be accounted as accrued expenses in accounting accrued expenses, the provision of Rs.184,790,566, which have not actually become an accrued expense and was expected to be fulfilled in the future had been indicated as accrued expenses. As a result, the expenditure of the year 2021 had increased by that amount. And it had been written off in the year 2022 in contrary to the accounting principle. An account had been maintained in the name of the receivables provincial specific in the Southern Provincial Road Development Authority without any bills receivable for the works actually done in the relevant year. Moreover, the actual accrued expenditure related to the projects of the Authority in the last year had been Rs.8,275,167.
- The reasons for making a sum of Rs.184,790,566, the value of continuous and bills in hand as accrued as these approved industries should be carried out, and for that purpose, 36 percent should be held owing to the severe financial crisis in the country, that action has been taken to stop the work of ongoing industries that were advised to be held from the work that were made accrued.
- In the identification of accrued expenses, action should be taken to verify whether they are actually a liability according to the accounting standards.
- (iv) Although the allocation made to the Road Development Authority should be used to fulfil the objectives and tasks of those institutions, funds amounting to Rs.430,832,721 had been invested in fixed deposits without being used for the accomplishment of the said objectives.
- That the fixed deposits of the Southern Provincial Road Development Authority include the balance of the withholding account, the balance of the general deposit account, the balance of the gratuity account, the balance of the loan account of the authority and funds built up through repeated investments of the fixed deposit interest income.
- The related money should be used to achieve the objectives of the institution.

(c) **Irregular Transactions**

The mechanical engineer in charge of the asphalt yard and the chief accountant of the Road Development Authority had not introduced raw material stock control systems or cost accounting methods in relation to the operations of the Galagoda asphalt yard. Therefore, by purchasing stones in excess of the requirement of the production capacity, stone stock of 1,047.97m<sup>3</sup> worth Rs.1,819,012 had remained in the yard, and measurement of the benefits of the asphalt production had not been carried out.

Raw materials must be purchased while production activities are carried out continuously. Optimal stock should be maintained constantly using a machine that produces at least 200 tons of asphalt per day. The inability to use these stocks due to the suspension of road development works at once after the year 2015 was not due to the fault of the officials concerned.

Methods should be introduced regarding raw material stock control. Methods for measuring the benefits of the production should be introduced.

(d) **Activities extraneous to the objectives**

Road maintenance allocation of the Authority amounting to Rs.12,059,884 had been used to improve 07 local council roads that had not been included in the annual plan or budget of the Southern Provincial Road Development Authority for the year 2022. It was also observed that there had been no request from the relevant local government bodies for that and it was contrary to the objective of the Southern Provincial Road Development Authority. Nevertheless, the essential maintenance works of 27 roads of the Road Development Authority should have been completed by then.

Although this development work had not been included in the annual plan or the budget, it had been carried out in the provincial jurisdiction with the approval of the Honourable Provincial Governor and there are instances, where certain roads that are being implemented by the Provincial Road Development Authority had been carried out by the Road Development Authority of the Central Government and roads implemented by the local government bodies have been carried out by Road Development Authority and in any instance, the two organizations had not invested money for the same industry.

Priority should be given to the objectives and tasks within the scope of the Provincial Road Development Authority.

(e) **Identified losses**

During the auction of the asphalt machine installed in Galagoda work yard at the Southern Provincial Road Development Authority, at least one member from an external party with expert knowledge had not been appointed to the Committee that had been appointed for the assessment work. Although the valuation given by the said committee for the asset had been Rs.10,400,000, the machine had been sold for a sum of Rs.21,100,000 at the auction. Accordingly, it was confirmed that the assessed value was not accurate. Furthermore, the Authority had incurred a loss of Rs.3,274,784 by assessing without taking in to account that 21,782 litres of tar and 4,028 litres of diesel had been inside the machine at the time of the assessment.

Legal work is being carried out in this regard with the assistance of a Lawyer of the Southern Provincial Chief Secretariat and the authority is investigating in relation to the officials, who were currently in charge of the machine according to the audit query in this regard, and the Board of Directors was informed in this regard on 19 April 2023 and requests were made to the Secretary of the Ministry by a letter dated 20 April 2023 to appoint a Board Of Inquiry for the same according to the directives issued at the meeting of the Parliament Committee of Public Accounts held on 24 March 2023.

Investigation activities should be expedited and action should be taken to recover the respective loss.

**1.5.10 Head 309 - Land Commissioner's Department, Southern Province**

(a) **Accounting Deficiencies**

| <b>Audit observation</b>   | <b>Comments of Chief Accounting officer</b>   | <b>Recommendation</b>  |
|--|---|--|
| Although the receipts in the advance account had been Rs.13,911,851 and the payments in the advance account had been Rs.14,493,833 according to the treasury printouts, recording the recovery of advances as Rs.9,083,370 and the payment of advances as Rs.10,721,730 in the preparation of the cash flow generated from operating activities in the cash flow statement, receipts had been understated by Rs.4,828,481 and payments had been understated by Rs.3,772,103. | That only actual cash receipts and payments have been taken into account in the preparation of the cash flow statement and that receipts and payments have not been applied as per transfer orders. | Cash flow statement should be prepared as per 07(VI) of the Accounts and Payments Circular of the Chief Secretary bearing No. 03/2022. |

**(b) Management Inefficiencies**

Even though it has been stated according to paragraph 01 of the Circular of the Secretary to the President bearing No. PS/CS/A/11-18 dated 12 October 2018 that the offices of the Provincial Ministries and all institutions under their purview should be maintained in government-owned buildings as far as possible, Department of Land Commissioner of the Southern Province had been operated in a private building since 2015 and a sum of Rs.25,800,000 had been paid as the building rent from February 2015 to December 2022.

The office operated at the Municipal Council had to be withdrawn due to the modernization work of Galle Municipal Council and letters have been sent by requesting a new office building.

Necessary steps should be taken immediately to set up the office in a government owned building.

**1.5.11 Head 310 - Department of Education, Southern Province**

**(a) Non-compliance with Laws, Rules and Regulations**

| <b>Reference to Laws, Rules and Regulations</b>               | <b>Non-compliance</b>   | <b>Comment of the Chief Accounting Officer</b>   | <b>Recommendation</b>                                    |
|---|---|--|--|
| FR 139 (10) of the Democratic Socialist Republic of Sri Lanka | Although it should be confirmed that the existing bank balance must be sufficient to cover all the payments when certifying vouchers by an authorized officer, cheques worth Rs.32,745,899 had been written to external parties though the balance in the bank account of the Line Ministry as at 31 December 2022 had been Rs.13,472,279, Accordingly, the Department of Education of Southern Province had drawn cheques worth Rs.19,273,620 exceeding the amount of money in the bank balance. | According to the cash book of the line ministry of the Department of Education of the Southern Province, the balance as at 31 December 2022 had been Rs.70,106,281 and payments have not been made to external parties on that day exceeding that balance. | Action should be taken as per the Financial Regulations. |

(b) **Identified losses**

| <b>Audit Observation</b>  | <b>Comment of the Chief Accounting Officer</b>  | <b>Recommendation</b>   |
|---|---|---|
| <p>The supplier had filed a case against the Director of Education at Southern Provincial Department of Education on 15 November 2002 stating that the Southern Provincial Department of Education had not made payments as per the agreement reached with a private company to print the examination papers in the year 2001. Although it had been ordered to pay an amount of Rs. 2,448,734 and an interest amount of 34 percent per annum on the above amount to the supplier from 21 December 2021 up to the date of the judgement according to the judgment of the Court of Appeal dated 23 May 2019, a total of Rs.4,677,061 had been paid comprised of Rs.2,448,734 as the relevant amount and Rs.2,228,327 as the interest on 14 December in the year 2022 due to not paying as per the court decision on the due date.</p> | <p>That future work will be carried out based on the recommendations of the preliminary investigation report.</p> | <p>Action should be taken according to the provisions of the Establishments Code.</p> |

(c) **Management inefficiencies**

|   |   |  |
|---|---|--|
| <p>(i) In the year 2022, plans had been designed to carry out supervisory activities in 225 schools, out of 355 schools belonging to 12 Divisional Offices of Education, and only 72 schools out of that had been supervised. Accordingly, the number of schools supervised, out of the number of schools to be supervised had been only 32 percent. The number of schools that had not been supervised even once in the last 03 years in 07 Divisional Offices of Education had been 45. Accordingly, supervision of schools remained at a weak level.</p> | <p>Since the monitoring activities will be implemented according to a proper plan from the year 2023, all the schools related to the Division will be monitored.</p>                                      | <p>All the schools should be monitored according to a proper plan.</p> |
| <p>(ii) Although the maximum period that can be served in one school is only 08 years, 137 teachers and 14 principals, who have been serving in the same school for more than 10 years, have been working in the Ambalangoda Zonal Office of Education.</p>   | <p>The transfer of teachers, who had completed 10 years of service in the same school at that time had not been made effective due to the Corona pandemic situation in the year 2020 and there was no</p> | <p>Transfers should be made systematically.</p>                        |

opportunity to make the transfers in the year 2021 as well since the third term of the schools for the year 2021 had been operational until March 2022.

**1.5.12 Head 311 - Southern Provincial Ministry of Fisheries, Animal Production and Development, Environmental Affairs, Rural Industries, Power and Rural Estates Infrastructure Development**

**Management Inefficiencies**

| Audit Observation  | Comment of the Chief Accounting Officer  | Recommendation  |
|--|--|---|
| Although the allocations provided to the Southern Provincial Industrial Development Authority should be used to fulfil the objectives and tasks of those institutions, funds amounting to Rs. 23,645,746 had been invested in fixed deposits without being used for accomplishing the said objectives. | That the fixed deposits of the Southern Provincial Industrial Development Authority include the income earned through the projects implemented by the respective statutory institutions. | The relevant money should be used to achieve the objectives of the institution. |

**1.5.13 Head 317- Department of Cooperative Development of the Southern Province**

**Management Inefficiencies**

| Audit Observation   | Comment of the Chief Accounting Officer   | Recommendation   |
|---|---|--|
| (a) There had been a balance of court fines totalling to Rs. 40,215,178 charged as court fines in Galle, Matara and Hambantota Offices of Assistant Commissioners of Cooperative Development as at 31 December 2022, and action had not been taken to identify the relevant beneficiary societies and to settle this amount promptly. Moreover, there had been an unidentified balance of Rs.27,837,307 within this balance related to the period prior to the year 2022. | Since the settlement process of court fines takes considerable time, software has been introduced for it. | Action should be taken to identify the beneficiary societies and to immediately settle the amounts charged as court fines. |



- (b) A loan balance of Rs.4,750,269 had to be repaid due to non-payment of instalments as at 31 December of the year under review, out of the total loan balance of Rs.7,298,697 pertaining to 41 cooperative societies, for which judgements had been provided by the Court to the debtors to pay loans as instalment payments in repaying the loans. That further steps are expected to be taken regarding the unsettled loans. Arrangements should be made to recover the respective loan balances promptly.

#### 1.5.14 Head 319 - Department of Social Welfare, Probation and Child Care Services of Southern Province

##### Non-compliance with Laws, Rules and Regulations

| Reference to Laws, Rules and Regulations  | Non-compliance   | Comment of the Chief Accounting Officer  | Recommendation   |
|---|--|--|--|
| Sub-section 13.2 of Chapter XLVIII of Volume II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka and Public Administration Circular No. 30/2019 dated 30 September 2019 | Even though the Chief Secretary had informed on 08 August 2022 that preliminary investigations in relation to the incident of sexual abuse of 06 resident boys of the home by an officer of the Halpathota Tropical Home should be conducted. However, action had not been taken in that regard even by 16 February 2023, the date of audit. | That the officer conducting the preliminary investigation has been informed to complete the preliminary investigation and give the report immediately. | Action should be taken in accordance with the provisions of the Establishments Code. |

#### 1.5.15 Head 320 - Chief Secretariat of Southern Province

##### (a) Accounting Deficiencies

| Audit Observation   | Comment of the Chief Accounting Officer   | Recommendation   |
|---|---|--|
| (i) Even though the value of the 33 vehicles belonging to the Chief Secretariat had been Rs.160,924,000 according to the valuation report at the end of the year under review, it had been understated by Rs.48,290,519 in the statement of non-current assets. | That the balance amounting to Rs.160,924,000, which was the estimated value of the vehicles, will be accounted under the financial statements of the year 2023. | Action should be taken to identify the value of the assets properly and to account them. |

- |       |   |  |   |
|-------|---|--|---|
| (ii)  | Even though the value of the land belonging to the Chief Secretariat and its affiliated institutions had been Rs.274,283,000 according to the fixed assets register and schedule submitted to the audit, the same value had been stated as Rs.280,680,000 in the statement of non-financial assets by overstating the value by Rs.6,397,000.  | After preparing the asset register in the year 2022, the confirmed land value was Rs. 274,283,000 and action will be taken to account the values of other lands, of which the ownership had been confirmed including that land value under the financial statements in the year 2023.  | The value of the lands should be properly ascertained and accounted.    |
| (iii) | Although the value of the buildings owned by the Chief Secretariat at the beginning of the year under review had been Rs.232,405,500 according to the fixed assets register, the value of the buildings at the beginning of the year under review had been Rs.722,772,409 according to the statement of non-financial assets. As a result, there had been a difference of Rs.490,366,909. | The fixed asset register is being updated and the value of 232,405,500 has already been identified and entered. However, the value of Rs.722,772,409 in the financial statement is the value that has been in the books until now. Accordingly, this asset value is correct and action will be taken to include the said values in the asset register. | The value of the building should be properly ascertained and accounted. |

(b) **Non-compliance with Laws, Rules and Regulations**

| <b>Reference to Laws, Rules and Regulations</b>   | <b>Non-compliance</b>  | <b>Comment of the Chief Accounting Officer</b>  | <b>Recommendation</b>   |
|---|--|---|---|
| Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008 (V) dated 31 May 2019 | A sum of Rs.16,801,524 had been paid as fuel allowances to 17 officers in 08 posts in the Chief Secretariat of the Southern Province from May 2019 to 31 December 2022. Out of that, an amount of Rs.2,040,815 had been paid for super petrol and super diesel, without complying with paragraph 2.1.3 (ii) of the National Budget Circular No. 01/2014 dated 02 January 2014. | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 to the officers entitled to official vehicles in the Southern Province based on the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019. That a committee consisting of senior staff officers has been appointed to investigate and report on this and the recommendations of the committee have been obtained. | Action should be taken carefully regarding the national policies and public expenditure management. |

(c) **Defects in the Contract Administration**

| <b>Audit observation</b>   | <b>Comments of the Chief Accounting Officer</b> | <b>Recommendation</b> |
|--|---|-----------------------|
| The construction of the front side wall, which was 80 metres in length, of the Chief Secretariat of the Southern Province had been estimated at Rs.38,634,000 and accordingly, a contract had been signed with the selected contractor on 02 August 2021 for a value of Rs.37,362,562 (without VAT). The following |   |                       |

matters were observed in this regard.

- (i) It was agreed on 02 August 2021 to complete the entire work of this construction industry in a period of 240 days till 30 March 2022. Nevertheless, it was decided to complete only a part of the construction industry on 27 July 2022, and the above agreement was cancelled by paying an amount of Rs.15,655,317 for the completed work. Later, a new estimate of Rs.42,958,188 had been submitted by the office of the Deputy Chief Secretary (Engineering Services) of the Southern Province for the remaining work, and quotations had called again for that purpose and entered in to an agreement with the aforementioned first contractor for Rs.34,368,110 on 09 September 2022.
- Action has been taken to cancel the contract on the consent of the two parties by the letter of the Chief Secretary bearing No. CSS/15/02/06/10 dated 27 July 2022 upon the continuous notifications made by the contractor that it was difficult to continue the remaining construction works due to the continuous increase in the prices of construction materials and fuel shortage. It was decided at the discussion held at the Chief Secretariat in relation to this industry on 02 August 2022, that it is appropriate to fill the back of the side walls and complete the industry. The period has been extended up to 15 August 2022 to carry out the work, and accordingly the agreement was cancelled. Since it was decided to
- Action should be taken to carry out work according to the contract agreement and to manage the contract to avoid any disadvantage on the part of the Government.

prepare a new estimate for the remaining construction, an estimate of Rs.42,958,188 was prepared for the remaining works and an agreement has been entered in to with the first contractor for a sum of Rs.34,368,110.

- (ii) Moreover, there was no proper management of public expenditure as a total cost of Rs.59,265,860 had to be incurred including Rs.34,368,110 as per the second agreement, and Rs.15,655,317 for the work completed as per the first agreement and Rs.9,242,433 for additional work and it had to incur more cost amounting to Rs. 20,631,860 than the cost of the first estimate.
- New estimates were prepared to carry out the remaining works of the industry owing to the increase in prices of raw materials and fuel shortage, and the remaining constructions were carried out by entering in to agreement for Rs.34,368,110 and since it has been agreed to pay the price increases in entering in to the agreement, the payments were made in relation to each bill according to the price increases as per the CIDA price formula.
- Action should be taken to carry out work according to the contract agreement and to manage the contract to avoid any disadvantage on the part of the Government.

### 1.5.16 Head 321 - Office of the Deputy Chief Secretary (Planning) of Southern Province

#### Non-compliance with Laws, Rules and Regulations

| <b>Reference to Laws, Rules and Regulations</b>  | <b>Non-compliance</b>  | <b>Comment of the Chief Accounting Officer</b>  | <b>Recommendation</b>  |
|--|--|---|--|
| Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 | A sum of Rs.4,215,930 had been paid as fuel allowances to 02 officers in 02 posts in the office of the Deputy Chief Secretary (Planning) of the Southern Province from May 2019 to 31 December 2022. Out of that, an amount of Rs. 493,960 had been paid for super petrol and super diesel, without complying with paragraph 2.1.3 (ii) of the National Budget Circular No. 01/2014 dated 02 January 2014. | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 to the officers entitled to official vehicles in the Southern Province based on the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019. That a committee consisting of senior staff officers has been appointed to examine and report on this and the recommendations of the committee have been obtained. | Action should be taken carefully in relation to the national policies and public expenditure management. |

### 1.5.17 Head 323 - Internal Audit Department of Southern Province

#### Non-compliance with Laws, Rules and Regulations

| <b>Reference to Laws, Rules and Regulations</b>                                      | <b>Non-compliance</b>  | <b>Comment of the Chief Accounting Officer</b>   | <b>Recommendation</b>  |
|--|--|--|--|
| Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by | A sum of Rs. 1,741,765 had been paid as fuel allowances to an officer in the Internal Audit Department of the Southern Province from May 2019 to 31 December 2022. | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 to the officers entitled to official vehicles in the Southern Province based on | Action should be taken carefully in relation to the national policies and public expenditure |

|   |   |  |             |
|---|---|--|-------------|
| Public Administration Circular No. 13/2008(V) dated 31 May 2019 | Out of that, an amount of Rs. 210,390 had been paid for super petrol and super diesel, without complying with paragraph 2.1.3 (ii) of the National Budget Circular No. 01/2014 dated 02 January 2014. | the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019. That a committee consisting of senior staff officers has been appointed to examine and report on this and the recommendations of the committee have been obtained. | management. |
|---|---|--|-------------|

### 1.5.18 Head 324 - Provincial Revenue Department of Southern Province

(a) **Non-compliance with Laws, Rules and Regulations**

| <b>Reference to Laws, Rules and Regulations</b>  | <b>Non-compliance</b>  | <b>Comment of the Chief Accounting Officer</b>  | <b>Recommendation</b>  |
|--|--|---|--|
| Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 | A sum of Rs.1,483,503 had been paid as fuel allowances to 02 officers in 01 post in the Provincial Revenue Department of Southern Province from May 2019 to 31 December 2022. Out of that, an amount of Rs.237,668 had been paid for super petrol and super diesel, without complying with paragraph 2.1.3 (ii) of the National Budget Circular No. 01/2014 dated 02 January 2014. | As per the approval of the Honourable Governor, the fuel allowance has been paid from May 2019 to the officers entitled to official vehicles in the Southern Province based on the Circular of the Chief Secretary of the Southern Province bearing No. 02-2019 dated 16 May 2019. That a committee consisting of senior staff officers has been appointed to examine and report on this and the recommendations of the committee have been obtained. | Action should be taken carefully in relation to the national policies and public expenditure management. |

(b) **Transactions of Contentious Nature**

| <b>Audit Observation</b>  | <b>Comment of the Chief Accounting Officer</b>   | <b>Recommendation</b>  |
|---|--|--|
| In relation to the transfer of the land, where the Talgasaya Tea Factory is located, to another party, the first assessment value was | A Committee was appointed on 16 December 2022 to review the existing methods within the Department and | Asset valuation should be carried out consistently based on the specific criteria. |

Rs.354,150,000, and after the appeal was made for that, the assessment value given was Rs. 276,000,000. As a result, there had been a discrepancy of Rs.78,150,000 between the estimated values given by two officials of the same rank in the Provincial Revenue Department on two occasions. After the audit query related to this, the Special Committee appointed by the Commissioner of Provincial Revenue had reassessed the property value as Rs. 248,000,000 and the estimated values had been given at the discretion of each official without preparing formal criteria for the property valuation work.

prepare formal criteria as it was accepted that there was a difference in the two estimated values given by the opinion statement as pointed out by the audit. The criteria and procedures of the Committee have been implemented in the Department from January 2023. Accordingly, the variability in assessments will be minimized in the future.

### **1.5.19 Head 325 - Department of Motor Traffic of Southern Province**

#### **Operational Inefficiencies**

| <b>Audit Observation</b>   | <b>Comment of the Chief Accounting Officer</b>   | <b>Recommendation</b>   |
|--|--|---|
| The Department of Motor Traffic had entered in to a Mode of Understanding with Sri Lanka Information and Communication Agency for the electronic revenue license (e RL-II Phase two smart office) project of the Department of Motor Traffic and a sum of Rs.5,720,000 had been paid in March 2018 and the project had been scheduled to be completed by April 2022. However, it could not be completed. Therefore, an additional cost of Rs.3,075,000 had to be incurred to reprint the licenses. | This is a Memorandum of Understanding signed by the Department of Motor Traffic of 09 Provinces covering the entire island. Although the amount of Rs. 5,720,000, which should be paid originally for that purpose, has been paid according to the agreement, out of the sum of Rs. 9,431,497 that should be paid by the Department of Motor Traffic of Southern Province. As the project has not been completed on the scheduled date, the Southern Provincial Council had to bear an additional cost of Rs. 3,075,000. However, the service required to collect the license revenue to the Southern province as anticipated by the budget for the year 2022 has been accomplished without failure. | The project should be completed promptly as planned and the expected revenues should be properly managed and collected. |



## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, 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 deterioration of Rs.777,611,691, and as against that, the surplus of the previous year was Rs.558,915,389.

## 3. Operational review

### 3.1.1 Government Grants

Following are the observations related to the utilization of Provincial Specific Development Grants (PSDG), Provincial Development Grants (PDGs), Criteria Based Grants (CBGs) and other development project grants.

| Source   | Amount Approved<br>Rs. | amount spent<br>Rs. | Non-receipt of<br>Imprest<br>Rs. |
|--|------------------------|---------------------|----------------------------------|
| Provincial Specific Development Grants (PSDG)          | 971,000,000            | 485,500,000         | 485,500,000                      |
| Criteria Based Grants (CBG)                            | 125,000,000            | 70,000,000          | 55,000,000                       |
| Primary Healthcare System Strengthening Project (PSSP) | 560,000,000            | 410,000,000         | 150,000,000                      |

| Audit Observation  | Comment of the Chief Accounting Officer   | Recommendation                                      |
|--|---|---|
| Even though provision amounting to Rs. 971 million, Rs. 125 million and Rs. 560 million had been approved for Provincial Specific Development Grants (PSDG) and Submeasure Based Grants (CBG) and Primary Health Service Strengthening Programs (PSSP) respectively as central government grants for the implementation of Southern Province Development | Although the physical and financial progress has been reported, there is no enough information to give a definite answer as there has been no | Arrangements should be made to bring in provisions. |

Plan in the year under review, Rs.485.5 million, Rs.55 million and Rs.150 million respectively, out of those allocations had not been received for the year under review. information regarding the receipt of imprest.

### 3.1.2 Provincial Development Plan

Under the provincial development plan for the year under review, 1,117 proposals with an estimated value of Rs.1,095.58 million had been approved for new works and for unfinished works. According to the progress reports of the Provincial Council, the progress of the work proposals is as follows.

| Description                         | Number of New Work Proposals | Number of Continuous Work Proposals | Total Number of Work Proposals | Estimated Value of Total Works |
|-------------------------------------|------------------------------|-------------------------------------|--------------------------------|--------------------------------|
|                                     |                              |                                     |                                | Rs. Million                    |
| (a) Fully completed                 | 737                          | 178                                 | 915                            | 870.47                         |
| (b) Completed less than 50 per cent | 84                           | 02                                  | 86                             | 93.40                          |
| (c) Completed more than 50 per cent | 47                           | 18                                  | 66                             | 87.60                          |
| (d) Not Commenced                   | 50                           | 01                                  | 50                             | 44.11                          |
| Total                               | 918                          | 199                                 | 1,117                          | 1,095.58                       |

The matters observed in this regard are given below.

| Audit Observation   | Comment of the Chief Accounting Officer   | Recommendation   |
|---|---|--|
| (a) According to the progress of 1,117 work proposals approved for provincial specific Criteria based, flexible and special village programmes under the Provincial Development Plan of the year 2022, 915 work proposals had been fully completed and 152 work proposals had been implemented and action had not been taken even to start 50 | There were bills in hand amounting to Rs. 205.46 million as at 31 December 2022 due to non-receipt of imprest for the projects completed by 31 December 2022, and the amounts have to be settled using separate | Follow-up activities should be carried out systematically. |

work proposals as at 31 December in the year under review. Accordingly, it was observed that 172 work proposals were scheduled to be completed further at the ministerial level and the follow-up activities related to the completion of those work proposals by the respective ministries had not been carried out systematically. Moreover, only an amount of Rs.555.5 million, out of the approved allocations for Provincial Specific and Criteria Based Grants for the year under review, had been received by 31 December.

- |     |   |   |  |
|-----|---|---|--|
| (b) | An amount of Rs.205.46 million had been left as bills in hand and the amounts had to be settled through the provision allocated for the year 2023 as imprest had not been received for the completed projects as at 31 December of the year under review.   | An amount of Rs. 205.46 million had been left as bills in hand and the amounts have to be settled through the provision allocated for the year 2023 as imprest had not been received for the completed projects as at 31 December 2022. | Follow-up activities should be carried out systematically. |
| (c) | Although an allocation of Rs.1,656 million (before freezing) had been approved for the Development Plan in the year under review, any information regarding the funds received from the Treasury for the Development Plan during the year was not available in the Planning Secretariat. Therefore, it had hindered the regular analysis of information during the follow-up activities and progress checks of the projects under the development plan by the Planning Secretariat. | That the Deputy Chief Secretary (Planning) has informed that the necessary information will be delivered in the future.   | Follow-up activities should be carried out systematically. |

#### 4. Staff Administration

| <b>Audit observation</b>   | <b>Comment of the Chief Accounting Officer</b>   | <b>Recommendation</b>                                      |
|--|--|--|
| It had been decided that there should be a general policy on the transfer of officials in the services of All Island Services, Combined Services, Provincial Public Services and | Although it has been mentioned in the Circular, it has not been mentioned that every officer, who has served in the same | General policies of the public service should be followed. |

Departmental Services as per the public service transfer policy mentioned in the Public Administration Circular of the Secretary of the Ministry of Public Administration, Home Affairs and Administrative Reforms bearing No. 18/2001 dated 22 August 2001. Even though it has been stated that every officer who has worked at the same workplace for a maximum period of 05 years should be transferred immediately to allow them to work at other workplaces, 19 officers in the Chief Secretariat of the Southern Province and had completed a service period of 5-13 years as at 31 May 2022 had been employed in the service.

post/workplace for 05 years, should be given transfers according to Chapter III of Volume I of the Establishments Code of the Democratic Socialist Republic of Sri Lanka issued in the year 2013.

Moreover, that the new transfer scheme proposed to be implemented for the officers of the Southern Provincial Council has already been submitted for approval of the Southern Provincial Public Service Commission.

## 5. Accountability and Good Governance

### 5.1 Budgetary Control

|     | <b>Audit observation</b>  | <b>Comment of the Chief Accounting Officer</b>   | <b>Recommendation</b>  |
|-----|---|--|--|
| (a) | Provision totalling to Rs.2,838,988,856 was saved, out of the net provision related to the 26 Heads of Expenditure, and those values were in the range of Rs.1,120,089 to Rs.479,951,734.   | This was due to the strict control in incurring expenses in public institutions  | Adequate provision should be made for the requirements.      |
| (b) | Although it is not necessary to allocate provision through the annual financial statement for the programmes 3-1 of the Ministry of Education (Minister's Office) in an instance, where the date on which a new Provincial Council has been convened by the Governor or the date on which the Provincial Council resumes its work has not been announced in accordance with Financial Rule 27.1, provision of Rs.17.651 million had been allocated for 20 objects belonging to the Minister's office in the year under review. 100 percent of the allocation related to 10 objects, out of those 20 objects, had been saved and provision amounting to Rs.13.305 million belonging to 10 objects had been transferred from the objects of another programme by financial rules 30/32. Accordingly, in an instance, where public expenditure | Provision should be made to start duties of the Members of the Parliament as soon as they are appointed after conducting elections and the saved provision was transferred to essential Expenditure Heads due to the increase in expenses owing to the inflation in the country. | In such a case, proper approval should be obtained for that. |

has been limited by National Budget Circulars, provision had been made for the office of the Minister by allocating money for non-essential and non-operational programmes, with the aim of transferring the provision to other programmes using the financial rules.