

Southern Development Authority of Sri Lanka - 2010

1. Financial Statements

1:1 Opinion

In view of my comments and observations appearing in this report, I am unable to express an opinion on the financial statements of the Southern Development Authority of Sri Lanka for the year ended 31 December 2010 presented for audit.

1:2 Comments on Financial Statements

1:2:1 Sri Lanka Accounting principals

The following Accounting principals had not been complied with.

According to Sri Lanka Accounting Standard No. 42, the gratuity funds should be invested, the benefits of the investments should be disclosed in the financial statements and a fund should be build up to meet the future liabilities for payment of gratuity. But it had not been acted accordingly. The Chairman informed that a fund cannot be build up as no provisions are being received from the Treasury.

1:2:2 Accounting Deficiencies

The following observations are made.

The interest amounting to Rs. 6,017,072 payable in paying compensation for the Kaduruduwa Watta as per the records of the Akmeemana Divisional Secretariat had not been shown in the financial statements for the year under review.

1:2:3 Unreconciled Accounts

Differences amounting to Rs. 43,332,302 were observed between the relevant schedules and financial statements with regard to the following items of accounts. Details are shown below.

Account	Value according to Schedules	Value according to final Financial Statements	Difference
-----	-----	-----	-----
	Rs.	Rs.	Rs.
Expenditure according to the progress reports of the Jathika Saviya Gama Neguma } Development Programme	204,542,752	247,360,548	42,817,786
Fixed Assets	<u>47,752,850</u>	<u>48,267,366</u>	<u>514,516</u>
	<u>252,295,602</u>	<u>295,627,914</u>	<u>43,332,312</u>

1:2:4 Accounts Receivable and Payable

The following observations are made.

- (a) Advances amounting to Rs.3,281,827 brought forward for over several years had not been settled even as at end of the year under review and this included an unidentified balance of Rs. 851,039 given prior to year 1999. This was pointed out in my reports for the previous year too, but the settlement had not been done.
- (b) Sector-wise advances amounting to Rs. 2,522,078 given during the period from 1999 to 31 December 2001 had been brought forward during the year under review as well without being settled. Further, this matter was pointed out in my previous years' reports too, but the settlement had not been done.

- (c) Lease rent advances amounting to Rs. 297,000 had been brought forward as an unidentified balances since year 2004 without being settled. Further, an advance of Rs.1,000,000 paid during 2000 for the construction of District Chamber of Commerce, Hambantota had not been settled even during the year under review.
- (d) In commenting on the previous report, it had been stated that the sum of Rs. 702,833 given for the red onion cultivation in the Hambantota District during 1998 was not a loan, but, a grant. However, even during the year under review, the said amount had been shown in the financial statements as a balance receivable.
- (e) The Authority had not taken action to follow-up and settle or to utilize the lands for the intended purposes in respect of deposits amounting to Rs. 3,712,125 paid to Divisional Secretariats since several years to acquire lands.
- (f) Creditors' balances amounting to Rs. 155,853 shown in the financial statements as payables since several years had not been settled even during the year under review.
- (g) Water and electricity charges and lease rent aggregating Rs. 315,663 payable for the years 2004 and 2005 in respect of the District Secretariat, Matara had been paid by the Ruhunu 2001 Venture Capital Company. Although it had been informed to the respective Company by letter dated 18 May 2010 to set-off the amount from the dividends receivable on the investments amounting to Rs. 43,888,183 made in the said Company; it had not been acted accordingly and the amount remained unsettled even during the year under review.
- (h) Action had not been taken even as at 31 December 2010 to recover the loans and advances amounting to Rs. 2,108,204 given by the Authority prior to several years.
- (i) Action had not been taken even as at 31 March 2011 to recover the sum of Rs. 1,326,151 paid to various persons and institutions for various projects.

1.3 Lack of Evidence for Audit

The following items shown in the financial statements could not be satisfactorily vouched/verified or accepted in audit due to the non-availability of evidence shown against each such item.

Item of Accounts -----	Value ----- Rs.	Evidence Not Made Available -----
Trade and other debtors	33,779,137	Confirmation of balances, age analyses and respective files.
Deposits for acquisition of lands	13,602,115	Letters of confirmation
Amounts payable	26,493,104	-do-
Capital expenditure payable – Social Welfare	7,512,207	Certificates confirming that the relevant jobs have been completed by the respective officers, approved bills and payment vouchers
Capital expenditure payable – Special Projects	16,866,615	-do-

1:4 Non-compliance with Laws, Rules, Regulations etc.

The following non-compliance with Laws, Rules, Regulations etc. were observed.

Reference to Laws, Rules, Regulations, etc. -----	Non-compliance -----
(a) Public Officers Security Ordinance and Government Financial Regulation 880	Although security deposits should be obtained from the officers having custody of money, stores and assets in terms of the provisions of the Ordinance and the Financial Regulation, Security deposits had not been obtained as such from the officers having custody of money, stores items and assets of the Authority.

(b) Financial Regulations of the
Republic of Sri Lanka

(j) F.R. 371

The advances should be settled immediate after the completion of the relevant task. However, advances amounting to Rs. 6,234,394 paid from 1999 to end of year 2010 had not been settled even as at 31 December 2010.

(ii) F.R. 571

Although the lapsed and unclaimed deposits should be examined and taken to revenue in terms of the Financial Regulations, action had not been taken accordingly in respect of the lapsed and unclaimed deposits amounting to Rs. 481,488 according to the Deposits Register.

(c) Circular No. IAI/2000/1 dated
12 June 2000 of the Secretary to
the Treasury

Although the Audit and Management Committee meeting should be held at least once in each quarter, only 03 meetings had been held during 2010. Further, according to the Public Finance Circular No.PF/PE/7 dated 15 March 2000, at least a minimum of 03 members of the Director Board of the relevant Ministry should participate in the Committee, but only 02 members had participated.

Even though a representative from the Ministry of Economic Development had been appointed by an undated letter in September 2010, the said officer had not attended the Committee meetings.

(d) Decisions of the Board of Directors

- (i) 2008/10/04
Dairy Farmers Villages Programme
- 2008/11/02
Progress of the Development Programmes
- 2009/01/01 – XIV
Modernization of water and electricity systems of the Karandeniya T.D. Samaraweera Stadium
- 2009/05/01 –v
Action Plan 2009
- 2010/02/01
Kaduruduwa Watta Land

- (e) (ii) 2009/05/01 – vi
Kerala Kelay Project
2009/05/04
Incomplete documents relating to the approvals and making payments stating that the Projects have been up dated.

Matters observed in respect of the decisions taken by the Board of Directors during the period 2008 to April 2010 were as follows.

Lethargic manner in carrying out the instructions given by the decisions of Board of Directors to call for explanations from the officers responsible for the failure of projects and to take necessary disciplinary action.

Although it had been instructed by the decisions of the Board of Directors to appoint a committee of Investigation Officers, action had not been taken accordingly.

2009/06/01 – vii
Sector wise Progress
2006 -2008

It had been intimated to all the Directors and Heads of Divisions by the Director (Finance and Administration) by this letter dated 01 September 2010 and 02 February 2011 on implementation of the decisions of the Board of Directors to fulfill the responsibilities vested on them with regard to the Board decisions. Nevertheless, those decisions had not been implemented even at the time of audit examination.

Although 07 Board meetings had been held during the year 2010, only one member except the Chairman had been participated in those 07 meetings. There are 07 members in the Board.

2. Financial and Operating Review

2:1 Financial Review

The operation of the Authority during the year under review had resulted in a deficit of Rs.8,672,824 as against the surplus of Rs.112,688 for the preceding year thus showing a deterioration of operational result of the year under review by Rs.8,785,512. Decrease of recurrent grants and other income by Rs.1,699,233 and the increase of operational expenses by Rs.7,086,279 during the year under review when compared to the preceding year had mainly contributed to the deterioration of the financial result.

2:2 Contract Administrations

The following observations are made.

(a) Completion of Balance Work of Nenasala Centre – Batapola within the area of the Divisional Secretariat, Ambalangoda

An estimate amounting to Rs.1,739,717 had been recommended for this activity under 05 items and an agreement had been entered into with the Ilukpitiya Villegge Development Society Batapola-West on 27 April 2009 for construction work at a

value of 1,674,198 and a payment of Rs.1,557,337 had been made. This Nenasala Centre had been completed on 26 July 2009 and a field inspection carried out on 24 January 2011 revealed that it had remained without opening for a period of 11/2 years.

(b) Dairy Villages Programme, Kohilawagura – Construction of the Culvert System, Karandeniya

The Technical Officer of the Galle District Office of the Authority had prepared an estimate to the value of Rs. 1,693,929 consists of 18 items in respect of the construction of the Culvert System of the above programme and an agreement had been entered into with the Village Development Society of Magala South on 27 November 2009 at a value of Rs. 1,620,280 and a payment of Rs. 722,971 had been made.

The following matters were observed in this connection.

- (i) As at the date of physical inspection on 20 January 2011, the culvert constructed in relation with the road system were over grown and were not in a water flowing condition due to lack of maintenance.
- (ii) The Dairy Village Project was failure as at the date of inspection on 20 January 2011 and the relevant lands had been handed over to the Sri Lanka Army. Therefore, the expenditure of Rs.722,971 incurred for this project had become fruit-less.

(c) Development of the Play Ground belongs to the Saint Theresa Junior School, Saint Theresa Balika Maha Vidyalaya and Saint Marry Maha Vidyalaya

Estimates to the value of Rs. 1,590,440 and Rs. 1,553,662 respectively had been prepared for the expansion of the play ground by excavating earth and erecting the boundary fence out of the provisions of the Jayathilaka Saviya Gama Neguma Project implement by the Ministry of Estates Infrastructure Development and National Building. An agreement had been entered into with a Village Development Society on 25 August 2008 to the value of Rs. 1,590,440 to excavate earth and expand the playground and another agreement had been entered into with another Village Development Society on 22 August 2008 to the value of Rs.1,553,662 to erect the boundary fence; and payments amounting to Rs. 2,947,775 had been made for the above activities.

The following matters were observed at the field inspection carried out in this connection on 20 January 2011.

- (i) According to the contract awarded for excavating and removing soil of the playground, a sum of Rs.1,590,440 had been paid for 1,440 cubes of soil removed and a sum of Rs.225,960 had been paid for 120 Machine Hours utilized. However, the details of measurements had not been made available for audit.
- (ii) Though this activity was meant to expand the play ground to fulfill the requirements of the students of 03 schools, according to the written statements dated 20 January 2011 of the Principals of the 03 schools, it had been stated that the condition of the play ground is not satisfactory and that the small part of the play ground prevailed earlier even cannot be used after the constructions. Therefore, the expenditure of Rs. 2,947,775 incurred for this activity had become fruitless.
- (iii) According to the written statements made to the audit by the Societies carried out these construction works, both the Societies which had entered into agreements had not done the construction works, but only encased the cheques written for the names of the Society and handed over the money to the sub-contractor.
- (iv) According to Paragraph 5 of the Circular No. Gama Naguma/03/2008 dated 29 April 2008 of the Secretary to the Ministry of Nation Building and Estate Infrastructure Development the estimates should be prepared on Bill of Quantities System and at least 20% of the total estimated value should be deducted for community contribution the requirement had not been completed with an agreements had been signed for the total estimated value resulting an over payment of Rs. 432,493.
- (v) Although constructions should have been planned after studying the topographical condition of the construction site, no provisions had been made in the estimate for the above activity. Therefore, it was confirmed at the physical examination carried out on 20 January 2011 that there had been no expansion to this play ground but only cutting removing earth had been done.

2:3 Performance

The following matters were observed.

2:3:1 Distribution of “Palu” plants to the Farmers of the Department of Rubber Development under the Jathika Savaya – Gam Naguma Programme

In relation to the above matter, it was required to purchase and distribute 8160 rubber plants valued at Rs. 408,000 among the rubber cultivating farmers of the said Department in the Siyambalagunaya, Mailagasthenna and Pallegama villages which belong to the areas of the Wellawaya and Badalkumbura Divisional Secretariat of the Moneragala District. It was also required to prepare distribution lists and follow-up and progress reports. According to the information available, the progress of the above activity is shown below.

- (a) Eight thousand and one hundred and sixty rubber plants had been obtained by paying a sum of Rs.403,000 and distributed among farmers during the year 2010, under the approval of the Sector Manager (Plantation) of the District Management Head Office, Moneragala. But, the progress of the programme could not be evaluated as distribution lists including the number of plants given to each farmer, signatures of the recipients, reports on follow-up action taken to monitor whether the plants have been planted and the progress reports had not been prepared.
- (b) Although there was no provision for purchase and distribute rubber plants as individual allowances in terms of Paragraph 6 of Circular No. Gama Naguma 1/2008 dated 08 March 2008 of the Secretary to the Ministry of Nation Building and Estates Infrastructure Development, a sum of Rs.403,000 belongs to the Jathika Saviya Gama Naguma Programme had been paid as individual allowances as above, disregarding the circular instructions.

2:3:2 Water Supply Scheme for 03 Acres of the Dairy Farm Village, Kohilawagura

-
- (a) The District Office, Galle had targeted under this scheme to construct a well with a depth of 15 feet and a diameter of 3 feet, provide a water motor and supply water for 03 acres of Dairy Village, Kohilawagura under 11 items estimated at Rs. 246,248.

- (b) An agreement had been signed at a value of Rs. 223,861 on 29 February with a Samurdhi Society in Karangeniya area for this scheme and a sum of Rs. 96,527 had been paid on 07 October 2010 for work done under 07 items. Supply and installation of PVC pipes and accessories under item No. 8, 9, 10 and 11 had not been done and as at 20 January 2011; the date of field inspection there were cracks on the safety wall constructed around the well and the walls had been collapsed, overgrown and were in unusable condition.
- (c) (i) Supplying water to 03 acres which was targeted under the above scheme had not been fulfilled even as at the date of audit examination.
- (ii) Although it had been estimated Rs. 15,000 to dig the well to a depth 15 feet, the works completed had been computed as 25% and a payment of Rs. 3,750 had been made. Therefore, the well had not been dug as required.
- (iii) According to Item No.07 a plastic tank of 1500 liters should be supply and a concrete tower should be constructed at an estimated value of Rs. 27,000. However, a sum of Rs. 20,250 had been paid starting that 75% of the work had been completed even though the plastic water tank had not been supplied.
- (iv) Although a sum of Rs. 50,400 had been paid under item No.06 for the Water Motor, it had been lying in the stores without being used.
- (v) As the Kohilawagura Scheme under this project was a failure, it had been vested with the Sri Lanka Army including the land on which the well has been constructed. Therefore, the expenditure of Rs. 96,527 incurred had become fruitless.

2:3:3 Kohilawagura Project – Karandeniya Electorate of Galle District

Kohilawatta land to the extent of 188 acres has been acquired by the Gazette No.1530/9 dated 31 December 2007 for implementation of the projects such as dairy villages, commercial coconut cultivation, housing development and tourism, and the Authority had spent a sum of Rs.5,627,923 for initial development works of the land.

According to the policy decision taken at the progress review meeting held at the Presidential Secretariat on 05 June 2005 not to utilize the funds provided under Jayathilaka Saviya – Gama Naguma Programme for this programme, the project had been abandoned; and out of the total extent of 188 acres, the Authority had retained 22 acres, 03 roods, 28 perches with the Authority and the balance had been vested with the

Army. But action had not taken to recover the sum of Rs.5,627,923 spent by the Authority.

2:3:4 Payment of Consultancy Fees

- (a) A Consultant had been appointed to the Southern Development Authority of Sri Lanka by letter No.DMD/5 dated 28 December 2005 of the Secretary to the President and 05 duties of the Authority had been assigned to him by letter No. SDA/05/W/70 dated 26 December 2006 of the Director General and by letter dated 08 February 2011.
- (b) Although a sum of Rs. 689,163 had been spent as salaries, fuel, vehicle repairs and telephone charges for carrying out duties during the year 2010, there was no procedure introduced to ensure that the Consultant had carried out duties entrusted to him. Replying to a query issued about the duties performed, it had been merely stated that “Duties are being performed”.
- (c) (i) As it was not clear whether the duties entrusted have been properly carried out, it cannot be evaluated whether a service for the sum of Rs.689,163 spent by the Authority for this Consultant had been received.
- (ii) According to the letter No. MRD/SEC/5 dated 28 March 2006 of the Secretary to the Ministry of Regional Development, it had been stated that the said Consultant has been appointed in terms Section 25(1) of the Authority Act. However, the said section describes the appointment of staff for the efficient functioning of the Authority.

2.3.5 Kadurudoowa Watta Land

- (a) A land titling Kadurudoowa Watta in the Akmeemana Divisional Secretary’s division of the Galle District in the Southern Province had been acquired in terms of Section 17 of the Authority Act with the aim of the economic development of the region. An expenditure of Rs.17,225,800 is expected to be incurred during the period 1998 to 2005 as compensation and interest.

- (b) (i) Acquisition of the land had not been done in terms of the letter dated 02 January 1998 of the Additional Director General of the Authority and the Gazette No.1044/31 dated 11 September 1998. The 14 plots of land taken over by the Divisional Secretary, Akmeemana on 06 November 1998 had been taken over by the Authority only on 28 May 2006 and compensation amounting to Rs. 10,539,989 had been paid to the Divisional Secretary, Akmeemana on 19 August 1998 and 31 August 2007. Further, none of the expected development projects had been implemented.
- (iii) According to the Gazette notification No.999/9, the extent of land acquired was 24 Acres, 01 Rood, 01 Purche. Nevertheless, according to the letter dated 04 December 2002 of the Director, Galle District and the letter dated 16 December 2002 of the Divisional Secretary, Akmeemana, request had been made for valuation of 19 Acres, 02 Roods, 14 Purches. Therefore, a difference was observed between the extent of land acquired and extent of land valued.
- (iv) The Director, Galle District had informed the Divisional Secretary, Akmeemana on 04 December 2002 to get the valuation of the land and accordingly, the Divisional Secretary had made a request on 16 December 2002 to obtain the developed and undeveloped value of the land. The Chief Valuer by his letter dated 16 June 2003 had given the valuation as Rs. 2,800,000 and by letter dated 13 November 1997 as Rs.3,000,000 and by his letters dated 02 August 2006 and 06 November 2002 he had valued 20 plots at Rs. 10,567,800. Therefore, due to the undue delay of the responsible officers in the process of paying compensation, it had to incur a cost of Rs. 10.5 million instead of Rs. 03 million.
- (v) According to the letter dated 31 March 2011 of the Divisional Secretary, Akmeemana, out of the compensation received, a sum of Rs. 6,940,275 had been paid to 48 claimants on 31 March 2011 and there was a balance of Rs.3,649,530 remained unpaid.

- (vi) The Authority had paid a compensation of Rs. 300,000 for the removal of 03 encroachers and it was observed that there were 04 encroachers staying even as at 23 March 2011. Further, there was no boundary fence for the land or demarcation and as such it was observed that there will be disturbances for the unencumbered possession of the land.

2:3:6 Iron Ferry of the Nilwala Ganga Project

The following matters were observed.

- (a) An iron ferry abandoned by a foreign company involved in a project implemented under Nilwala Ganga Project of Matara District had been repaired and leased out to a private institution on 31 January 2007 for 10 years on an annual lease of Rs. 57,448.
- (b) It had been agreed by the lessee to repair the ferry on lessee's expense and put it to use. Nevertheless, Irrigation Department had taken legal action against the lessee when he was taking action to take away the ferry for repairs. It had been confirmed according to the action taken by the Authority and the recommendation of the Attorney General's Department that the acquisitions and the vesting with the investor is correct. However, the lessee had sent a letter of demand on 23 February 2011 claiming Rs. 158 million from the Authority as the loss suffered due to inability to take away the iron ferry.

2:3:7 Ornamental Fish Project

- (a) According to the Investment Plan 2000/2001 of Galle, Matara and Hambantota Districts, it had been targeted to provide loans to ornamental fish cultivators at Rs.150,000 per unit and to release 1/3 of the loan granted as aid after 2 years.
- (b) Under this Project, a sum of Rs. 1,489,958 had been granted to 15 fish cultivators of Galle District, a sum of Rs. 950,000 to 13 cultivators of Matara District and a sum of Rs. 1,500,000 to the cultivators of Hambantota District and the total amount granted amounted to Rs. 3.95 million. It had been unable to recover the loans granted as the Co-operative Societies which had obtained the loans had become dormant.

- (c) There was no approval of the Board of Directors of the Authority to grant loans to Co-operative Societies cultivating ornamental fish under this Project.
- (d) It had been decided at the Board Meeting held on 01 March 2011 not to consider these loans as a grant in terms of Board decision No. 2011/2. As this was due to the improper financial management and misappropriation of money by the Sector Manager (Fisheries) and the Director (Finance and Administration) who carried out duties during the period 2000/2001, it had been decided to obtain the assistance of the Police Special Criminal Investigation Division to hold a formal investigation. But, this decision had not been implemented.
- 2:3:8 (a) A sum of Rs.234,971,818 had been allocated for 833 projects during the year under review of the 04 Districts of Galle, Matara, Hambantota and Moneragala under the Jathika Saviya – Gama Neguma Programme and a sum of Rs. 157,494,331 had been spent for completion of 460 Projects. The provision of Rs. 77,477,487 relating to 350 projects had remained unspent. The savings represented 32.9% of the provision.

District	Amount Estimated	Financial Progress				Physical Progress				
		Amount Allocated	Community Contribution	Amount Spent	Savings	Expenditure as a Percentage of Allocation	No. of Projects Targeted	No. of Projects Completed	Incompleted Projects	Percentage of the Physical Progress
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
-	----	---	----	--	-----	--	----	----	----	-----
	Rs.	Rs.	Rs.	Rs.	Rs.	%				%
Galle	54,632,014	45,370,939	9,261,074	26,627,237	18,743,702	58.68	156	103	53	66.0
Matara	59,091,649	50,626,348	8,465,301	31,591,994	19,034,554	62.40	168	69	99	41.0
Hambantota	46,151,658	39,493,382	6,658,277	28,057,647	11,435,735	71.0	172	100	72	58.1
Moneragala	30,061,205	25,697,500	4,363,705	13,234,581	12,462,919	51.5	165	87	78	52.7
<u>Expedition Development Programme</u>										
Galle	21,984,856	18,328,761	3,656,096	15,680,772	2,647,989	85.5	40	38	02	95.0
Matara	28,078,665	23,398,888	4,679,778	18,168,648	5,230,240	77.6	52	40	10	76.9
Hambantota	20,880,000	17,400,000	3,480,000	13,747,498	3,652,502	79.0	34	00	34	00.0
Moneragala	15,000,000	12,500,000	2,500,000	10,218,343	2,281,657	81.7	25	23	02	92.0
Projects implemented in coordination with line institutions	33,748,000	2,156,000	1,078,000	167,511	1,988,389	7.7	21	00	-----	00.0
		234,971,818		157,494,331	77,477,487		833	460	350	

(b)

Programme -----	Amount Allocated ----- Rs.	Amount Spent ----- Rs.	Difference ----- Rs.
Infrastructure Development	159,722,019	90,760,117	68,961,902
Economic and Self-employment Development Programmes } Spiritual Development Programmes	1,093,977 4,421,960	3,235,060 2,695,060	858,917 1,726,900
Deyata Kirula Exhibition	668,200	287,480	380,720
Construction of Head Office Building	36,500,000	40,016,354	(3,516,354)
Acquisition of Capital Assets	3,000,000	1,121,474	1,878,526
Internal Staff Training	500,000	427,209	72,791
Administration Expenses 2%	4,359,983	2,350,657	2,009,326
	----- 213,266,139 =====	----- 140,893,411 =====	----- 72,372,728 =====

The matters observed in this connection are shown below.

- (i) None of the projects included in the Corporate Plan of the Authority had been implemented during the year under review. Operational expenses amounting to Rs.120,201,203, the staff of the Authority and its resources had been used for implementation of the Projects of Jathika Saviya-Gama Neguma Programme which is extraneous to the objectives of the Authority.
- (ii) A sum of Rs. 106 million had been estimated as recurrent income of the Authority under Vote 105-2-1-3 of the Appropriation Account of the Ministry of Economic Development for the year 2010 and of this Rs. 105.6 million had been reimbursed. Although a sum of Rs. 85,300,000 had been provided in the Budget for employees salaries for the year under review, only a sum of Rs.80,427,000 had been reimbursed. But the actual expenditure was Rs.83,786,508 and the difference of Rs.3,359,508 had become an additional expense to the Authority.
- (iii) The value of work-in-progress shown in the final financial statements as at end of the year under review included 07 projects valued at Rs.2,424,175 relating to the period 2000 to 2007 that had been brought forward without being completed.

2:4 Vehicle Utilization

The vehicle fleet of the Authority during the year under review consisted of 12 motor cars, 19 cabs, 04 bowsers, 07 lorries and 02 vans. A significant data analysis of the utilization of these diesel and petrol vehicles as compared with the preceding year is shown below.

Description	Petrol		Diesel	
	2010	2009	2010	2009
Fuel expenses Rs.	254,522	363,480	1,794,982	2,946,695
Repair and Maintenance expenses Rs.	295,560	368,234	3,629,696	3,716,153
Drivers' salaries, batta and over time Rs.	<u>488,293</u>	<u>245,630</u>	<u>4,165,641</u>	<u>4,526,290</u>
Total Cost Rs.	1,038,375	977,344	9,590,319	11,189,138
Total distance performed Kilometers	61,762*	52,391	507,160	533,424
Quantity of Fuel consumed Liters	1,647	2,913	27,911	36,752
Average milage per liter of fuel kilometers	37.49	17.98	18.17	14.51
Average expenditure on fuel per kilometer Rs.	4.12	6.93	3.53	5.52
Average expenditure on repairs and maintenance per kilometer Rs.	4.78	7.02	7.15	6.96
Average expenditure on Drivers' remuneration per kilometer Rs.	7.90	4.68	8.21	8.48
Overall average expenditure per kilometer Rs.	16.81	18.65	18.90	20.97

* No. of kilometers performed by the vehicles provided to the outside institutions not included in this.

(a) Release of Resources of the Authority to other Individuals and Government Institutions

The vehicles owned by the Authority had been released to the Line Ministry and outside persons contrary to Section 8.3.9 of the Public Enterprises Circular No.PED/12 dated 02 June 2003.

Vehicle No.	Type of Vehicle	Date of Release	Name of the Institution/Person using the Vehicle
59-0466	Toyota Double Cab	09.05.2007	District Co-ordinator
300-0546	Nissan Double Cab	05.05.2006	Consultant
57-5713	Double Cab	07.04.2007	Ministry of Economic Development
65-0964	Jeep	04.03.2002	-do-
65-1950	Jeep	21.06.2003	-do-
65-0838	Jeep	17.08.2008	Member – Board of Directors
59-0315	Double Cab		For Duties of the Honourable Deputy Minister

(b) Improper Usage of Authority Vehicles

A motor vehicle valued at Rs. 12,000,000 which belongs to the Authority had been attached to an officer from 09 March 2007. As this officer contests for the Southern Provincial Council election he had resigned from the service with effect from 28 August 2009. But, the vehicle had not been returned even as at 18 February 2011.

A sum of Rs. 450,725 had been spent out of the Authority's funds for servicing, repairs, insuring and obtaining revenue licence for this vehicle during the period September 2009 to February 2011.

2:5 Idle Account Balances

Balances receivable shown since year 2002 included a sum of Rs. 108,173 receivable from 04 institutions which are not functioning at present. It was observed that the failure to recover the above money was due to the negligence of the Sector Managers who had not recovered the same at the proper time.

2:6 Corporate Plan

- (a) Although the Authority had prepared a Corporate Plan for the period 2008 to 2010 to spent a sum of Rs.2,127.74 million under 08 Sectors within Galle, Matara, Hambantota and Monaragala Districts and Divisional Secretary's areas of Kolonna, Embilipitiya; attention had been paid to carry out the activities under Jathika Saviya-Gama Neguma Programme etc. which are extraneous to the above plan.
- (b) The following functions included in the key functions of the institution had not been carried out and no steps had been taken to prepare plans based on the above during the year under review and the preceding year.
- (i) Plan and implement development projects within the listed areas to improve productivity, enhance economic development and generate income earning and employment opportunities.
 - (ii) Carry out detailed studies in respect of projects identified from the overall development plan of the listed areas on priority basis.
 - (iii) Make requests from the Ministry of the relevant Minister for obtaining foreign funds for any specific projects or programmes.
 - (iv) Obtain assistance from Government Departments, State Institutions, Local Authorities, State Corporations and private sector to carry out the studies mentioned in Paragraph (ii) and improvement the development projects within the listed areas.
 - (v) Obtain the assistance of local and foreign private sector agencies for carrying out studies mentioned in Paragraph (ii) and implement the development projects within the listed areas.

2:7 Annual Action Plan

Although an Annual Action Plan had been prepared for the year 2010, following deficiencies were observed in it.

All the Sectors of the Authority had not been taken into consideration in deciding the projects. The Action Plan had been prepared extraneous to the objectives of the institution and instances were observed where the targets stated had not been achieved.

2:8 Budget

Significant variances were observed between the budget and actual and therefore, it was observed that the budget had not been made use of as an effective tool of management control.

3. Systems and Controls

Deficiencies in systems and controls revealed during the course of audit were informed to the Chairman of the Authority time to time. Special attention is needed in respect of the following areas of control.

- (a) Fixed Assets
- (b) Purchases
- (c) Accounting
- (d) Collection of Debts and Revenue
- (e) Old Debtors' and Creditors' Balances
- (f) Contract Activities
- (g) Implementation of Projects
- (h) Staff Management