

Southern Provincial Council - 2021

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Southern Provincial Council for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information was carried out under my direction in pursuance of provisions in Article 154 (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 28 October 2022. In terms of Section 11(2) of the National Audit Act, the Detailed Management Audit Report was issued on 21 October 2022. 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 2021, 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

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Although the net asset balance of the Southern Provincial Road Passenger Transport Authority as at 31 December 2021 had been Rs.677,608,036, it had been indicated as Rs.673,254,332 in the Provincial Fund Account. Therefore, the net assets in the Provincial Fund Account had been understated by Rs.4,353,704.	Those instructions have been given to prepare the net assets of the concerned institution accurately.	Action should be taken to reconcile the balance of the financial statements and the balance of the fund account and to prepare the financial statements.
(b) Although the depreciation value of property, plant and equipment for the year under review had been Rs.1,661,792,690, it had been indicated as Rs.1,590,941,716 in the financial statements. Therefore, the depreciation expense for the year had been understated by Rs.70,850,974.	Fixed asset registers are not maintained by the provincial treasury and these errors are committed by the relevant Expenditure Heads.	The accuracy of the depreciation should be checked and subsequently, the financial statements should be prepared in the preparation of Provincial Fund Account.

- (c) Provision for depreciation related to property, plant and equipment worth a total of Rs.847,478,918 had been understated by Rs.86,659,938 in the financial statements.
- I would like to inform that the fixed asset registers are not maintained by the provincial treasury and only subsequently, the final balance is obtained through a form and these errors have been done by the Expenditure Heads.
- The accuracy of the depreciation should be checked and subsequently, the financial statements should be prepared in the Provincial Fund Account.
- (d) Although property, plant and equipment had been depreciated on the declining balance method in the preparation of the Fund Account of the Southern Provincial Council, the depreciation had been calculated using the straight-line method in the preparation of accounts by the Public Service Commission. Accordingly, the depreciation for the year had been overstated by Rs.869,836.
- That calculation of the depreciation of fixed assets is not carried out by the provincial treasury and calculation of the depreciation is done by the expenditure head, which maintains those assets.
- Calculation of depreciation of 26 expenditure heads should be carried out on the basis of the depreciation policy followed in the preparation of the Provincial Fund Account.

1.2.2 Unreconciled Control Account

Audit observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Although the stamp duty and court fines to be paid to the Local Governments of the Southern Province under the current liabilities	That the value in the Provincial Fund is correct and the values stated in the financial statements by the Local Governments cannot be confirmed.	The values in the Fund Account and the values stated in the Local Governments should be reconciled.

of the statement of financial position of the Provincial Fund Account had been Rs.183,576,902 and Rs.53,704,183 respectively, those values had been Rs.2,133,069,606 and Rs.125,669,921 respectively according to the financial statements submitted by the respective Local Governments in the year under review. Accordingly, there had been a difference totaling to Rs.2,021,458,442 in the the court fines and stamp duty.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). 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 qualified 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.
- Intentional omissions or omission of internal controls can lead to fraud.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Comments on the Financial Statements

1.5.1 Head 302 - Southern Provincial Public Service Commission

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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Management Inefficiencies		
<p>Applications had been received from 10,493 applicants for the open competitive examination (year 2021), to recruit graduates for vacancies in teachers in the Sinhala Medium Schools of the Southern Provincial Council of Southern Provincial Public</p>	<p>That the examination fees had been obtained as deposits to the current accounts of the office and the application was made under the online system, and the applications and receipts</p>	<p>Examination fees paid by the applicants should be refunded.</p>

Service Commission. Even though were not sent by post, and 10,312 applicants had paid an amount accordingly, due to the of Rs.10,312,000 at the rate of inability to prepare a Rs.1,000 by each candidate. The due practical method to pay the amount had not been refunded to the money to the applicants, the applicants although the Governor had money payments have not instructed to refund the relevant money yet been made.

to the applicants as the line Ministry of Education has decided to make recruitments for teacher vacancies in national and provincial council schools.

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

Audit observation

Comments of the Chief Accounting Officer

Recommendation

Operational Inefficiencies

<p>The Chief Ministry of Southern Province had spent Rs. 19,248,000 as at 31 December 2021 for the programme of providing Rs.40,000 to a beneficiary in 03 phases implemented in the year 2018, out of the allocation of Rs. 35 million, for the construction of toilets under the Villages with Special Needs Programme. Only 232 beneficiaries, who had completed the work, had received the entire amount. Only the amounts for the first and second</p>	<p>Due to the shutdown of the country for most of the time during the year 2020 and as the Commissioner of Elections had advised to stop the project temporarily due to the elections, it was not possible to pay the</p>	<p>Projects should be executed properly to get the desired benefits.</p>
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rounds had been made. Since the work had not been completed using the amount of Rs. 9,968,000, the intended purpose had not been accomplished. Nineteen (19) cheques worth Rs.380,000, drawn in March 2021 for the construction of toilets under the project, had been kept in hand even by 10 February 2022 without handing over the cheques to the relevant parties and 25 cheques worth Rs.181,000 had been credited to the Government Revenue.

beneficiaries. Since it had been instructed to complete this project on 30.06.2020, the issue of cheques has been temporarily stopped and necessary steps will be taken after further investigating the matter.

1.5.2.1 Southern Provincial Development Authority

Audit observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Accounts Receivable -----		
<p>Proper action had not been taken to recover the amount of Rs.2,760,717, which had been prevailed since 2001, and to be recovered by 31 December 2021 that had been included in the balance of non-current receivables of the Southern Provincial Development Authority amounting to Rs.12,831,262, from the relevant project and industry owners.</p>	<p>The Legal Department of the Chief Secretariat is carrying out legal proceedings regarding the recovery of local seed loan balances of Rs.1,654,974 and Rs.553,505 as at 31.12.2021.</p>	<p>Action should be taken to collect outstanding loans.</p>

1.5.2.2 Ruhunu Tourism Bureau

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(a) Although Abhimansala building of Hikkaduwa, which had been built by Ruhunu Tourism Bureau at a cost of Rs.31,609,408 had been leased to an external party on 15 April 2016, a total of Rs.11,450,000 comprised of an arrears tax of Rs.10,100,000 and related fines amounting to Rs.1,350,000 remained outstanding owing to non-charging of the lease monthly.</p>	<p>According to the decision of the Governor, if the arrears are paid in full by 31.03.2022, the fines will be waived and activities of taking over are being carried out.</p>	<p>Arrangements should be made to collect arrears of taxes and fines.</p>
<p>(b) Idle and underutilized assets ----- The assets amounting to Rs. 102,985,823, included in the assets related to 03 institutions of Ruhunu Tourism Bureau remained unutilized by 31 December 2021.</p>	<p>Necessary arrangements are being made to lease these institutions.</p>	<p>Action should be taken for the maximum utilization of the respective assets.</p>

1.5.2.3 Southern Province Road Passenger Transport Authority

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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Operational Inefficiencies		

<p>(a) The Southern Province Road Passenger Transport Authority had given a loan amounting to Rs. 5,800,000 to bus drivers and conductors at the rate of Rs. 10,000 each in the year 2019 in view of the Corona pandemic situation. Action had not been taken to further recover a balance of Rs. 5,329,000, out of that loan amount, by 31 December 2021.</p>	<p>A loan of Rs. 5,800,000 had been given at the rate of Rs.10,000 per each on the approval of the Board of Directors. That Rs. 581,000, out of that amount, have been recovered and action will be taken to recover the balance amount.</p>	<p>Action should be taken to recover loan arrears.</p>
<p>(b) Action had not been taken to recover the arrears of revenue amounting to Rs.233,500 that should be recovered by 31 December 2021 for the issuance of 1,316 passenger service licenses in the Southern Province for the year 2021 under the Southern Province Road Passenger Transport Authority and Rs.731,250, the license fee revenue and revenue from service charges that had been lost by 31 December 2021 from inactive licenses.</p>	<p>That further requests for relief have been submitted by the Minister of Transport to the Governor and the Governing Board of the Authority has been informed of this matter.</p>	<p>Action should be taken to recover the arrears in revenue.</p>

1.5.3 Head - 305 Department of Health Services, Southern Province

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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(a) <u>Operational Inefficiencies</u>		
(i) Although there had been 47,387 drug units of 25 types of drugs worth Rs.6,004,076 that had been expired, among the drugs available in the Unawatuna Regional Medical Supplies Division as at 28 February 2022, due to non-distribution of drugs among hospitals according to timely requirements from 31 August 2021 to 28 February 2022, necessary action had not been taken to dispose of the drugs.	The disposal activities of these drugs are taking place on these days and after the disposal, the relevant information will be submitted to the audit.	Requirement of drugs should be identified through the drug management system and action should be taken to distribute the drugs without allowing them to expire.
(ii) There had been 126,404 drug units worth Rs. 2,010,887 belonging to 08 types of drugs, which had to be expired within the period from October 2022 to September 2023 and had been of reduced quality, among the medicines that had been available in the drug warehouse of the Unawatuna Regional Medical Supplies Division as at 28 February 2022 due to the failure in operating the drug management system properly.	That action for disposal of these drugs is being taken.	Requirement of drugs should be identified through the drug management system and action should be taken to distribute the drugs without allowing them to expire.

(b) Defects in contract administration

The contract of the Ramya Mohotti Chest Clinic, which had been under the purview of the Office of the District Director of Health Services, Matara had been awarded on 06 November 2015 to two private contractors for a contract amount of Rs.70,129,814 on an estimate of Rs.90,533,375 under the Phases I and II by the Deyata Kirula programme. Even though an amount of Rs.39,278,021 had been paid to the contractors by 07 October 2021, the date of audit, the chest clinic had to be run on a rental basis as the construction of the building had been halted halfway. A rent of Rs.3,815,000 had been paid to the lessee by the date of the audit.

That an estimate of Rupees Twenty-Nine Hundred Thousand has been prepared by the District Engineer for further work and that the office of the Building Engineer has been informed to prepare an estimate for the construction of the ground floor. Construction work should be carried out with proper supervision and arrangements should be made for productive utilization.

(c) Asset management

It has been observed in the audit that none had occupied 54 out of 166 official quarters, hostels and rooms owned by the office of the District Director of Health Services in Galle district. It was further observed that doctors had occupied 33 out of 71 official medical quarters, other officers had occupied 16, none had occupied 22 and none had occupied 10 of the 21 hostels of nurses, only 48 had been

That the audit observations are accepted and a formal information system will be established regarding the matters pointed out by the audit and necessary steps will be taken accordingly.

Necessary action should be taken to make maximum use of the official quarters and necessary measures should be taken in relation to unutilized houses.

occupied out of 67 Gramodaya health centers and 04 centers namely, Walpola, Moraketiya, Alle Ehala and Hela Kola Deniya had been in unusable condition due to dilapidation.

1.5.4 Head 307 - Department of Indigenous Medicine Southern Province

Audit observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Procurement -----		
Opportunities to derive maximum economic benefits to the Department, as per Section 1.2.1 (a) of the Procurement Guidelines, had been lost due to considering only unit price without considering the annual requirement in calling bids in the years 2019, 2020 and 2021 for purchasing dry and raw drugs for Beliatta Pharmaceutical Factory and Ayurvedic Hospitals. Even though a performance security of not less than 10 percent of the contract amount and a performance guarantee for a lump sum amounting to 0.5 to 1 percent of the contract amount should be placed as per Section 5.4.10 (c) and 5.3.13 (a) (ii) of the above guidelines, action had not been taken accordingly.	That Action will be taken to rectify from the year 2022.	Action should be taken in compliance with the provisions of the procurement guidelines by considering the entire annual requirement.

1.5.5 Head - 308 Southern Provincial Ministry of Education, Land and Land Development, Provincial Roads and Information

Southern Provincial Road Development Authority

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Accounting Deficiencies -----		
(i) Although the emergency bridges costed at Rs.38,510,007 belonging to the Road Development Authority had been fully depreciated by the end of the year under review, the authority had been still using those bridges and action had not been taken to revalue and account the bridges.	That these bridges will be revalued and accounted in the year 2022.	Arrangements should be made to revalue and account the relevant assets according to the accounting standards.
(ii) A quantity of 299.63 m3 Asphalt producing raw materials remained in Galagoda Asphalt yard had been misplaced in transporting raw materials to Elpitiya Regional Engineering Office. The value in that regard had not been confirmed and disclosures or adjustments had not been made in the final accounts.	That disclosure or adjustment has not been made in the final accounts as the internal investigation is still being carried out.	Relevant disclosures and adjustments should be made accurately in the financial statements.
(iii) Since evidence such as balance confirmations, analytical reports related to the balances in relation to 12 account balances totaling to Rs.508,546,192 included in the financial statements of the Road Development Authority for the year under review had not been submitted to the audit, it had not been possible to satisfactorily examine them during the audit.	That action will be taken to settle these balances in the future.	Sufficient evidence must be submitted to the audit to verify the balances included in the financial statements.

(b) **Non-compliance with laws, rules, regulations and management decisions**

Reference to Laws, Rules Regulations etc.	Value	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
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Rs.

(i) Establishments Code of the Democratic Socialist Republic of Sri Lanka ----- Section 5.3.1 of Chapter II	-	Although the Southern Road Provincial Road Development Authority has appointed one female officer for the post of Management Assistant III (Non-Technical) on a temporary basis for a period of one year with effect from 01	That Action had been taken as per the Directives of the Governor.	Action should be taken as per provisions of the Establishments Code and the scheme of recruitment.
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October 2021 and another female officer for the post of Internal Audit Officer from 15 November 2019, the interview panel had not recommended those appointments.

(ii)

Public
Administration
Circulars

* Circular
No. 06/97
dated 03
February
1997

- Although the acting period should be subject to a maximum of 03 months, officials had been appointed for 08 positions in the Road Development Authority on acting basis for a period of 03 years. The Current Action should be taken as per submitted Circulars. within a month.

(iii)	* Paragraph 03 of the Circular No. 28/2016 dated 01 December 2016	-	The Southern Provincial Road Development Authority had not taken steps to obtain the approval of the Southern Provincial Public Service Commission for the relevant Service Minute and the Scheme of Recruitment.	Comments had not been made.	Action should be taken as per Circulars.
	Public Enterprises Circular No. PED 1/2015 dated 25 May 2015	284,589	According to the Circular, the Chairman and the General Manager of the Southern Provincial Road Development Authority had been entitled to only 170 and 150 liters of diesel per month respectively, the Chairman had used 1722 liters	That the requirement of additional fuel has been fulfilled with the approval of the Board of Directors.	Action should be taken as per Circulars.

of diesel and the General Manager had used 1414 liters of diesel in the year under review exceeding the fuel limits. Payments of Rs.179,111 and Rs.105,478 had been made respectively for that.

(c) Projects Abandoned

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|------|---|--|---|
| (i) | The Southern Provincial Road Development Authority had abandoned 06 projects, with a contract value of Rs. 60,020,114, for which the work had been commenced in the year 2017 and had to be completed in the same year, without completing the work. | That the selection of an institution to supervise the construction work was delayed. | The concerned projects should be completed promptly or necessary action should be taken in relation to the contractors. |
| (ii) | Thirteen (13) projects, commenced by the Makandura Regional Engineering Office in the year 2017 to rehabilitate the roads damaged by floods and landslides, had not been completed even though a period of 02 to 03 years had passed since the expiration of the period for the completion of those projects. | Comments had not been made. | Arrangements should be made to complete the work within the relevant period. |

(d) Idle and underutilized assets

The premix production activities at the Galagoda premix yard had been stopped since 09 July 2018 and the premix production machine had been auctioned in March 2021. However, 931.13 cubic meters of stone worth Rs. 2,383,692, had been supplied to the yard for the purpose of using it for premix production. Although the stones had not been used for the production and left in the premix yard, attention had not been paid to dispose of stones.	That the relevant officers were instructed to take action to prevent the occurrence of such incidents.	Arrangements should be made to get the maximum utility out of the relevant materials or redirect them to the relevant suppliers.
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1.5.6 Head - 309 Southern Provincial Department of Land Commissioner

Audit observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>Transactions of Contentious Nature -----</p>		
The Akuressa Divisional Secretariat had provided a government land to the Akuressa Multi-Purpose Cooperative Society from the year 1965 up to 11 January 1995, under the long-term lease bearing No. L/2940, the land had been further enjoyed illegally without a long-term lease agreement and without paying the rent for 26 years, after the year 1995 until 09 March 2022, the date of audit. The total of the long-term rent due from 1995 to 2009 had been Rs. 5,230,000 and the rent, based on the new assessment reports from 2010 to 2021, had	Further action will be taken regarding the tax activity and that a case has been filed under the State Lands (Recovery of Possession) Act in the Magistrate's Court, Matara.	Action should be taken in accordance with the long-term lease and the provisions of the Code of Practice on Government Lands.

not been collected. Moreover, anyone should not be allowed to settle in the reserved lands according to the Code of Practice on Government Lands and as per Section 4 of Regulation 229 of Chapter 454 of the Land Ordinance. The Divisional Secretary of Akuressa had not taken action in terms of the State Lands (Recovery of Possession) Act No. 7 of 1979 pertaining to the illegal construction of a building, in which work had been completed up to the laying of the concrete floor (Slab) on the first floor in the Nilwala Ganga Reserve by the Cooperative Society.

1.5.7 Head - 310 Department of Education, Southern Province

(a) Noncompliance to Laws, Rules and Regulations etc.

Reference to Laws, Rules and Regulations	Value	Non-Compliance	Comments of the Chief Accounting Officer	Recommendation
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	Rs.			
(i) Financial Statute of the Southern Provincial Council				
----- Section 54 .5	-	Although 02 years and 02 months have passed by 10 December 2021, the date of audit since the robbery	That this will be looked into and dealt with in the future.	Financial Statute should be followed.

of 06 computers,
06 UPS and 06
Key boards in the
Kalegana Non-
Formal Education
Resource Centre
done by thieves,
the Southern
Provincial
Education
Department had
not submitted a
preliminary report
or a full report
even though a full
report must be sent
within 03 months
after sending an
preliminary report,
if it takes more
than 7 days to send
a full report to
determine those,
who are
responsible for
losses.

Circular of 413,747 Information
the Director related to 87
General of minor accounts
Pensions of the Education

(ii)	bearing No. 08/2011 dated 24 November 2011	Department of Southern Province had not been sent to the Department of Pensions. Accordingly, although 01 to 55 years have passed since the minors reached the proper age, action had not been taken to obtain the approval to pay the money in the deposit accounts to the owners and to release the money.	Letters have been sent to the respective addresses. Furthermore, it has been requested to get information from the National Savings Bank. That information will be sent back to the Department of Pensions.	Action should be taken in terms of the provisions of the Circulars.
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(b) Payments without Proper Authority

An income of Rs. 5,154,700 had been earned by conducting programme in the year under review and in the previous 02 years in Kalegana Non-Formal Education Resource Centre and the amount had not been accounted as revenue of Provincial Council as per Rule 39 of Financial Statute of the Southern	That a formal framework has been prepared for the process of collecting money with effect from 15 July 2019 and a formal framework	Action should be taken in terms of the Financial Statute of the Southern Provincial Council.
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Provincial Council, and had been retained in the general deposit account. An amount of Rs. 2,197,214, out of that amount, had been spent illegally. The Centre had no details on the income earned before the year 2019. There had been Rs.2,957,486 in the general deposit account as at 31 December 2021.

(c) Management Inefficiencies

In the recruitment of school watchmen and laboratory workers in schools under the Education Department of Southern Province in the year 2008 and 2009, salaries had been paid by placing them in the step 12 of that salary scale after recruiting them to Grade II of the Salary Scale of PL – I, instead of paying the salary of Rs. 11,730, which was the initial step of the prescribed salary scale, PL - I as per the footnote of Annexure II of the Public Administration Circular 06/2006. During the audit test checks carried out, 88 persons in Galle, Elpitiya, Udugama and Matara zones, had been recruited so and had paid higher salaries. Even though it had been informed by the letters of the Secretary of the National Salaries and Cadre Commission and the Director General of Establishments sent in this regard that the relevant officials should be placed in the prescribed salary steps according to the Public Administration Circular 06/2006, and the amounts should be recovered in 60

for collecting money has not been prepared prior to that.

Accordingly, it has been informed to take action according to the observations and recommendations of the National Salaries and Cadre Commission. Action should be taken in compliance with the Circulars.

installments with effect from February 2016, action had not been taken accordingly.

(d) Operational Inefficiencies

The Building Engineer had approved the demolition of 04 school buildings and buildings of 04 schools respectively due to the lack of proper supervision and maintenance of school buildings in Ambalangoda and Galle Zones of Education, and another 09 and 12 school buildings in the above zones respectively had been in risky condition. Although 100 x 25 size building at Jinaratana Maha Vidyalaya, Ga/Pareliya had been built after the 2004 Tsunami disaster, it had been decided to demolish it after 16 years due to poor construction. Accordingly, the demolition of those buildings had not been carried out.

That the money in the school development society account is not enough to cover the cost of the removal, even though the Southern Naval Command Headquarters had agreed, the work was not done and therefore, requests were made again from Hikkaduwa and Rathgama Pradeshiya Sabhas.

Appropriate action should be taken promptly to demolish buildings with risks.

(e) Visual Irregularities

Out of the Kalegana Resource Centre premises in extent of 0.5535 ha belonging to the Department of Education of Southern Province, an area of 0.4654 ha had been owned by the resource center. Even though an area of 0.0681 ha had been occupied by 12 illegal occupants and walls and houses had been built, necessary legal measures had not been taken to acquire the lands.

That the Municipal Commissioner of Galle has been informed to take necessary action.

Necessary further action should be taken against illegal occupants and measures should be taken to protect the assets.

(f) Defects in contract administration

Works worth Rs.3,495,250, out of 03 constructions and repair projects worth Rs.5,397,602 to be completed in the year 2016 under the Nearest School, the Best School Programme in Ambalangoda Zone of Education, had only been completed and they had been abandoned. Iron in those constructions had been rusting and the buildings had been decaying.

It has been requested to extent the time for completing the work of 02 projects. Requests have been made to provide a new estimate to carry out work of another project or to cancel the contract.

Necessary action should be taken to complete projects promptly by carrying out follow up activities in relation to delays in projects.

(g) Although the technological laboratory constructed in G/Rohana Maha Vidyalaya, Dodanduwa had been opened in the year 2016, the laboratory building had remained inactive due to non-provision of necessary laboratory equipment.

Although the Line Ministry has been notified in writing on 02 occasions to provide the necessary wood products and equipment, the goods have not yet been received. Therefore, the premises is being used for other purposes.

Action should be taken to make the maximum use of the resources.

1.5.8 Head - 311 Southern Provincial Ministry of Fisheries, Animal Production and Development, Environment, Rural Industries, Electricity and Rural and Estate Infrastructure Facilities Development

Audit observation	Comments of the Chief Accounting Officer	Recommendation
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<p><u>Uneconomic Transactions</u></p> <p>-----</p>		
<p>Although an amount of Rs.3,564,365 had been paid to two private companies for the electronic waste collected during the year under review for the e-waste recycling project implemented by the Southern Provincial Ministry of Fisheries, the information such as the manner in which the waste was collected, the names of the persons, who gave waste, the amount given and the amount handed over to the private companies for disposal had not been submitted to audit.</p>	<p>A waste collection programme had been implemented by the Pradeshiya Sabha under the waste collection programme for the year 2015/2016 and accordingly the collected waste had been given to the Ministry of Environment and the Ministry does not have information about the quantities of waste due to the existence of a large quantity of waste without the separation of waste.</p>	<p>Action should be taken in compliance with the Procurement Guidelines and information related to that must be accurately documented and maintained.</p>

1.5.9 Head - 313 Department of Industrial Development, Southern Province

Audit observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
Transactions not supported by Adequate Authority -----		
Although the authorized maximum limit of the expenditure of the Textile and Small Industries Advance Account (Subject No. 31302) had been Rs.260,000,000, the actual value of the expenditure had been Rs. 294,732,883 and as a result, the maximum limit of the expenditure had been exceeded by Rs. 34,732,883.	I accept the audit observations. That action will be taken to notify the Ministries / Departments, which had violated the limits.	Necessary revisions should be made before exceeding the limits and expenditure should be incurred with the adequate authority.

1.5.10 Head - 315 Department of Agriculture, Southern Province

Audit observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a) Transactions not supported by Adequate Authority -----		
(i) Although the authorized maximum limit of the debit balance of the Advance Account (Subject No. 31503) of Labuduwa Farm had been Rs.28,000,000, the actual value of the debit balance had been Rs.50,558,433 and as a result, the maximum limit of the debit balance had been exceeded by Rs.22,558,433.	I accept the audit observations. That action will be taken to notify the Ministries / Departments, which had violated the limits.	Necessary revisions should be made before exceeding the limits and expenditure should be incurred with the adequate authority.

(ii) Although the authorized maximum limit of the debit balance of the Advance Account (Subject No. 31506) of Ruhunu Rasara shop of Hambantota had been Rs.900,000 the actual value of the debit balance had been Rs.1,431,317 and as a result, the maximum limit of the debit balance had been exceeded by Rs.531,317. I accept the audit observations. That action will be taken to notify the Ministries / Departments, which had violated the limits. Necessary revisions should be made before exceeding the limits and expenditure should be incurred with the adequate authority.

(b) Idle and Underutilized Assets

The dehydrator, hand tractor, 08 CCTV cameras, white coconut oil machine and coconut grinding machine worth Rs.1,314,300 in the Thelijjawila District Agriculture Training Centre belonging to the Department of Agriculture of Southern Province remained unutilized even by 31 December 2021, the date of audit. That there has been no provision for the repair of CCTV cameras and the white coconut oil machine will be inspected and a report will be obtained and the technical support required for the coconut milk grinding machine will be obtained promptly. The need should be identified correctly and the purchase should be made while buying the equipment. Moreover, arrangements should be made to utilize the idle assets promptly and productively.

1.5.11 Head - 317 Department of Co-operative Development of Southern Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) Management Inefficiencies -----		
(i) Action had not been taken to identify relevant societies and to settle court fines amounting to Rs.14,328,127 brought forward since 2012.	That the Fund Management Committee has decided to maintain the unsettled court fines in the fund until they are settled and to release the respective amounts when information about the identified parties is submitted.	A methodology should be developed promptly to settle court fines.
(ii) The interest amount as at 31 December of the year under review, for the loan amount of Rs. 30,808,369, which had been the loan balance of the Treasury Fund, had been Rs. 14,696,666. Even though these loans and interest balances existed from the year 2006, action had not been taken to recover the amounts from the relevant societies or to take legal action in this regard.	That information has not been provided despite requests made from the year 2014 to submit loan agreements and legal documents in relation to this loan.	The follow-up process should be carried out in a timely manner and with proper supervision to collect the outstanding loan balances or legal action should be taken.

- (iii) A total of Rs. 23,695,696, out of the total loans amounting to Rs.45,418,396 provided for various tasks for 18 cooperative societies for the period of 1994 to 2020, should be further recovered by 30 November 2021. That they are trying to recover the loans by providing interest concessions after consulting the Governor or they are taking action to write off it. The follow-up process should be done in a timely manner and with proper supervision to collect the outstanding balance or take legal action.
- (iv) An amount of Rs. 1,204,139 had been paid in the year 2021, comprised of Rs.326,000 paid to 06 members including the Chairman of the Advisory Committee of the Cooperative Employees' Pension Fund on the approval of the Governor and Rs.878,139 paid for 08 officers of the staff when it had not been possible to pay allowances from the Pensions Fund. Provision are not allocated according to the Directives. However, the payments have been made as per Section 27 of the Directives and as per the letter of the Governor dated 27.10.2020 and on the approval of the Advisory Committee and the Public Service Commission. Action should be taken in compliance with the Directives of the Co-operative Employees' Pension Fund.
- (b) Operational Inefficiencies

- (i) Action had not been taken by the Cooperative Department of Southern Province to recover the loan balance totaling to Rs.6,383,765 granted to 07 cooperative societies through the surplus fund which had been The recovery is difficult as the amounts had not been recovered within the contractual period and the necessary measures had not been taken within that period. Action will be Necessary steps should be taken to recover the outstanding loan balances promptly.

maintained under the name of Cooperative Trust Fund before the year 2005. Even though the loan balances of the other 06 societies, except one society, remained outstanding since 2005, action had not been taken to recover the said loan balances or to take legal action in relation to that.

- (ii) Although the amounts collected by court fines in Matara district should be provided to the relevant cooperative societies without delay, immediately after identifying the cooperative societies, there had been an unrecognized balance amounting to Rs.899,761 in the years 2018, 2019 and 2020 and unrecognized balance amounting to Rs.2,175,665 before the year 2017 in the Department of Cooperative Development.
- Information relating to the identification of unidentifiable court fines related societies and to settle the court fines that had not been settled.
- Action should be taken to identify the related societies and to settle the court fines that had not been settled.
- Regional Co-operative Development Officer.
- Action will be taken to settle the balances immediately after identifying the court fines through them.

1.5.12 Head - 318 Southern Provincial Ministry of Sports and Youth Affairs, Rural Development Cultural and Arts Affairs, Social Welfare, Probation and Child Care Services, Women Affairs and Home Economics Promotion, Housing and Construction, of Manpower and Employment

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<u>Management Inefficiencies</u>		

<p>(a) While the government has strongly emphasized the need to use government money sparingly, a total expenditure of Rs.1,427,500 had been incurred by 31 December of the year under review for the production of a music CD with sixteen songs by the Religious, Literary and Art Development Fund with the objective of inculcating love in the people for meaningful songs. According to the project report, the music CD had been scheduled to be released in October 2020. However, action had not been taken to release the music CD even by 31 December of the year under review.</p>	<p>It is expected that the songs included in the CD will be popularized by transmitting the songs in the Dakshinapaya premises in the morning, and broadcasting the songs by the Ruhunu Service and that it is expected to popularize the songs by singing these songs at the concerts, where the Southern Provincial State Musical Band participates.</p>	<p>Government funds should be utilized for productive projects.</p>
<p>(b) There had been an outstanding balance of Rs. 16,011,413 as at 31 December 2021, as loan and interest, out of the loan amounts granted by the Rural Development Fund from the year 1999 to the year 2021.</p>	<p>Furthermore, the loan and interest balance related to the years 1999-2019 has become Rs.16,011,413.</p>	<p>Arrangements should be made to recover the loan arrears promptly.</p>

1.5.13 Head - 320 Chief Secretary's Office, Southern Province

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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(a) <u>Accounts Receivable</u> -----		
The balance of the provincial government officers' advance account amounting to Rs.1,334,237,399 had been indicated as current assets as at 31 December of the year under review, and loan balances that had not been recovered totaling to Rs.96,390,494 that should be further recovered from 4,479 officers, who had been transferred, retired and died, interdicted and vacated the post had been included in that balance.	Observations are accepted. That the settlement of loan balance is being carried out by institutions.	Institutions should take necessary action to settle these loan balances.
(b) <u>Accounts Payable</u> -----		
Although the value of the stamp duty and court fines to be paid to 49 local government Institutions by the Southern Provincial Council at the end of the year review had been Rs. 237,281,085, the balance of money according to the revenue cash book related to stamp duty and court fines had been Rs. 13,106,654. Accordingly, it was observed that there had been no enough money in the cash book to pay stamp duty and court fines and the money	A separate cash book for stamp duty and court fines is maintained for internal control. That it does not indicate all the amounts related to stamp duty and court fines.	The cash book maintained for stamp duty and court fines should include all amounts relating to stamp duty and court fines.

received for stamp duty and court fines had been spent on other activities.

(c) Transactions not Supported by Adequate Authority

Ten (10) cases, where the maximum limit of the expenditure related to 21 provincial public officers' advance accounts had been exceeded, 06 cases, where the maximum limit of the debit balance had been exceeded and 05 cases, where the minimum limit of receipts had not been reached were observed.

The respective Ministries and Departments should take action in relation to the respective limits for the advance accounts of the Provincial Government Officers. That action had been taken to make the relevant institutions aware on exceeding the limits and not reaching the limits.

Action should be taken within the imposed limits or if the limits are exceeded, the necessary revisions for limits should be made.

(d) Uneconomic Transactions

Establishment of a mail management information system for the Southern Provincial Council.

A contract had been signed with a contracting company for an amount of Rs.14,008,176 on 07 October 2020, to design a mail management computer programme to integrate all government institutions in the Southern Province. Accordingly, an amount of Rs. 27,984,663 had been spent for this project in the year

The basis for preparing such a programme was to create a paperless public service, and this was implemented according to the idea of the Honorable Governor and with the aim of gaining advantages

A study should be conducted in this regard and further steps should be taken to achieve the desired objectives.

2021. Although the contract had been entered in to for the establishment of the contract in 03 phases within 03 months with effect from 07 October 2020, only the first phase of the system had been developed until June 2022. Although it has been expected to implement the next stage based on the success of each phase, 86 scanners required for the three stages had been purchased at Rs.21,140,000 and only 16 scanners had been distributed to the institutions where the system would be established and 70 scanners worth Rs.14,700,000 had been retained in the warehouse. Accordingly, the cost incurred for the project had remained idle in outright purchases through procurement.

(e) Losses Identified

It was observed that there had been losses totaling to Rs.28,473,197 comprised of losses related to vehicle accidents amounting to Rs.21,747,894 related to 24 unresolved cases belonging to the Ministries / Departments and Offices of the Southern Provincial Council and property losses amounting to Rs.6,725,303 related to 54 unresolved cases.

That action will be taken to constantly discuss about this and to function accordingly. Action should be taken as per the Statutes of the Southern Province.

1.5.14 Head - 322 Southern Province Engineering Service Office

	Audit Observation -----	Comments of the Chief Accounting officer -----	Recommendation -----
(a)	<p><u>Management Inefficiencies</u> -----</p>		
	<p>Even though an officer, serving in the post of Design Engineer in the Planning Division of the Office of the Deputy Chief Secretary (Engineering Services), had been appointed to act in the Post of Municipal Engineer of Galle Municipal Council for 02 days a week, i.e., on Tuesdays and Thursdays with effect from 04 September 2020 in addition to the regular post as per the letter of the Southern Provincial Public Service Commission dated 04 September 2020, the officer had worked in the acting post for the full-time from February 2021 to March 2022 at his discretion.</p>	<p>That the said Engineer has been permanently appointed to the position of Municipal Engineer of Galle Municipal Council from March 2022 and a letter has been issued to him through the Chief Secretary of Southern Province with copies to the Deputy Chief Secretary (Engineering Services).</p>	<p>A formal investigation should be conducted regarding the relevant officer.</p>
(b)	<p><u>Defects in the Contract Administration</u> -----</p>		
(i)	<p>A contract of Rs.17,057,534 had been entered into with the contractor for the construction of the technical laboratory with the library of Wanduramba Central College and an amount of Rs.11,579,747 had been paid by 31 December 2021. Although the construction had been supposed to be completed on 05 November 2017, the contract had been abandoned by the</p>	<p>Due to the preparation of electrical circuits using casings without the instructions of the District Engineer, payment has not been made for wiring installation of the electrical circuits. That</p>	<p>Actions should be taken according to the Procurement Guidelines and work should be carried out as per the contract.</p>

contracting company. Although the the contractor was guarantee for advances had expired on 19 instructed to observe March 2019, arrangements had not been and rectify these defects made to extend it. Accordingly, it had not including several other been possible to recover the advance defects. amount of Rs.1,103,874. Concrete had been blocked in the pipe system laid on the concrete floor of the first floor and it could not be utilized, casings were installed on un plastered walls for electrical circuits and aluminum window frames had been installed, and the trusses of the roof had not been properly painted.

- (ii) A contract of Rs.19,793,490 had been entered into with the contractor on 02 May 2017 for the construction of the 90'X25' three-storied classroom building with computer lab and library of G/Christudeva Girls' College and an amount of Rs.8,333,110 had been paid. According to the agreement, the validity period of the contract had expired on 01 May 2018. The District Engineer had given a notice on 11 September 2019 to cancel the contract due to the stoppage of construction work and poor quality of construction. Although the amount to be recovered further had been Rs.4,426,435, out of the mobilization advance amounted to Rs. 5,695,647 provided to the contractor, action had not
- Inquiries have been made in this regard from the Director of Education of Southern Province and it has been decided to terminate the contract and get the rest of the work done by another contractor.
- The advance amount to be recovered should be recovered promptly and the contract should be cancelled and the relevant contractor should be blacklisted. The remaining work should be carried out by another contractor promptly. Necessary action should be taken

been taken to promptly terminate the contract and to recover the amount or to extend the period of the related bank guarantee. Although the estimated value of the work to be completed had been Rs.17,652,447 according to the agreement, an estimate of Rs.29,109,837 had been prepared to get the rest of the work done by another contractor as the contractor had abandoned the constructions. Accordingly, due to the failure of the contract administration, the government had to bear an additional amount of Rs. 11,457,390.

against the responsible parties.

1.5.15 Head - 324 Department of Provincial Revenue, Southern Province

	Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
(a)	<p data-bbox="321 1115 570 1178"><u>Arrears in Revenue</u> -----</p> <p data-bbox="321 1192 894 1881">It was observed that the outstanding revenue from stamp duty, as agreed by 9581 debtors according to the statements of opinion given after re-estimation of lands related to the stamp duty levied on the transfer of lands, had been Rs. 436,862,186 as at 31 December 2021. Although the arrears should be recovered through legal means or if it is not possible to recover the arrears, action should be taken to waive the arrears according to Provincial Financial Rule 116.1, action had not been taken accordingly.</p>	<p data-bbox="922 1192 1227 1444">That the arrears of revenue (relating to stamp duty) will be recovered in the future years.</p>	<p data-bbox="1263 1192 1495 1388">Arrangements should be made to timely recover the due revenue.</p>

(b) **Operational Inefficiencies**

Subsequent to inquiring the appeals submitted by 325 persons, who had to pay stamp duty amounted to Rs.19,868,501 and fines amounted to Rs. 8,260,218 during the audit of the appeals sent by a person who is dissatisfied with the "Statement of Opinion" given by a provincial assessor after an assessment of the relevant land in accordance with Chapter xxiv of Part 03 of the Finance Statute No. 07 of 1990 regarding the stamp duty charges imposed on the transfer of land in the year 2021 in the Galle District of the Southern Provincial Revenue Department, stamp duty had been reduced up to Rs.8,883,100 and fines imposed for stamp duty had been reduced up to Rs.1,199,722. Accordingly, it was observed that the expressions of opinion had been made erroneously.

That the revision will be made after considering the facts revealed by an on-site inspection related to appeals and as a result, the previous stamp duty and fines will be reduced and appeal is the right of the tax payer under the Statute.

There should be no abnormal variation between the values given by the "Opinions" and the values given after hearing the appeals. If the values are changing, formal written evidence should be provided.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the result of the operations of the Provincial Council Fund for the year ended 31 December of the year under review was a surplus of Rs.558,915,389, and correspondingly, the adjusted deficit of the previous year had been Rs.1,654,409,455. Due to the increase in income and grants compared to the expenditure in the year under review, there was a surplus in the year under review exceeding the deficit in the previous year.

3. Operational review

3.1 Performance

3.1.1 Government Grants

Source		Approved amount	Amount Spent	Underutilization
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		Rs.	Rs.	Rs.
Provincial Development Grants (PSDG)	Specific	2,569,000,000	1,349,925,500	1,219,074,500
Criteria Based Grants (CBG)		515,000,000	271,925,500	243,074,500
Public Modernization (TSET)	Education Project	220,000,000	209,036,281	10,963,719
Primary Health Services Strengthening Project (PSSP)		330,000,000	329,467,663	532,337
Total		3,634,000,000	2,160,354,944	1,473,645,056

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
As analyzed above, an amount of Rs.1,473,645,056 or a significant percentage of 40 percent had been unutilized, out of the allocation of Rs.3,634,000,000 approved for the provincial development activities in the year under review.	That this situation continued for several years because the release of imprest was not enough and as a result, the productivity of the operations was reduced.	A maximum percentage of the provision should be utilized.

3.1.2 Provincial Development Plan -----

For the year under review, 2505 proposals with an estimated value of Rs.3,940 million had been approved for new works and continuous works under the Southern Provincial Development Plan. According to the progress reports of the Provincial Council, the progress of the work proposals was as follows.

Description	Number of New Work Proposals	Number of Continuous Work Proposals	Total Number of Work Proposals	Estimated Value of Total Work Rs. Million
(a) Fully Completed	1705	24	1729	2028
(b) Less than 50 percent completed	265	0	265	667
(c) More than 50 percent completed	334	0	334	1018
(d) Not initiated	177	0	177	227
Total	----- 2481 =====	----- 24 =====	----- 2505 =====	----- 3940 =====

The following observations are made in this regard.

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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<p>(i) Since 776 work proposals had to be completed at the ministerial level, the follow-up activities related to those work proposals had not been carried out systematically by the respective ministries, and performance indicators had not been identified and evaluation had not been carried out using the performance indicators as to whether the expected objectives of the projects had been achieved. Accordingly, there had been no programme and necessary data and information available in the Office of the Deputy Chief Secretary (Planning) of the Southern Provincial Council to study the impact of the development projects already made on the life of the people of the Southern Province, the income of the Southern Provincial Council, the unemployment, the agricultural economy, the fishing sector and the construction sector etc.</p>	<p>The Ministry monitors the progress of the projects throughout the year. Heads of the institutions are being made aware of failed projects during quarterly progress review meetings. That attention will be paid in this regard in the future and that it is intended to improve these activities in the future.</p>	<p>Follow-up activities should be carried out systematically and arrangements should be made to maintain the development projects. A programme to study the impact of the development projects and a data and information system needed for that should be established.</p>

(ii) The office of the Deputy Chief Secretary (Planning) had to revise many of the proposals in the annual development plan and to grant approval for them as the development projects of the annual development plan, for which consent of the Finance Commission had been granted, had been revised during the year. Audit observations are Specifically accepted. That the identified officers were informed development projects should be to implement as projects should be appropriate in the future. included in the plan.

4. Staff Administration

4.1 Staff Administration of Institutions of Provincial Council

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
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Action had not been taken to fill 5,427 vacancies of provincial council officers as at 31 December in the year under review, and the number of officers employed on casual / substitute / contract basis had been 1,016, outside the approved cadre in the Southern Provincial Council.	The Ministry of Public Administration has been informed to attach officers for the posts in the All Island services. That the recruitment under the posts of All Island services and recruitments under Management Services Circulars has been temporarily stopped.	Arrangements should be made to fill vacancies and recruitment of employees outside the approved cadre should be restricted.

4.2 **Approved and Actual Staffs**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>While there had been a surplus of 363 teachers in relation to 26 subjects in the Sinhala medium schools in the Zone of Education, Galle, there had been a shortage of teachers in another 162 schools in relation to those subjects in the Zone. While there had been 07 schools without even one teacher for English subject, there had been an excess of 12 teachers for English subject in other schools in the Zone.</p>	<p>It is a difficult task to fill those vacancies apart from new teacher appointments and it is also difficult to fill them with teachers coming from transfers of inter-regional or provincial education.</p>	<p>Arrangements should be made to formally equalize the teachers.</p>

5. **Accountability and Good Governance**

5.1 **Budgetary Control**

Audit Observation -----	Comments of the Chief Accounting Officer -----	Recommendation -----
<p>The total of the net provision under the 26 Heads of Expenditure had been Rs.48,434,575,361 and the expenditure had been Rs.44,294,274,623. Accordingly, provision amounting to Rs.4,140,300,738 had been saved and those values had been in the range of Rs.633,537 to Rs.698,682,489.</p>	<p>Observations have been presented through the reports of the Auditor General issued to the respective institutions and answers have been submitted. Action will be taken in this regard in the future.</p>	<p>The approved provision should be fully utilized.</p>