

Southern Provincial Council – Year 2023

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Southern Provincial Council for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements, including information of significant accounting policies, 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 31 May 2024. In terms of Section 11(2) of the National Audit Act, the Detailed Management Audit Report was issued on 14 June 2024. 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 2023, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

1.2.1 Accounting Deficiencies

(a) Southern Provincial Council Fund

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Since the mortgage deposit interest income of Rs. 19,342,530, related to the preceding year, had been accounted for as revenue for the current year, and the expenditure for the year pertaining to three institutions of the provincial council had been understated by Rs. 15,313,217, the deficit for the year was understated by Rs. 34,655,747.	Action will be taken to correct this in the future.	Income and expenditure should be accurately identified and accounted for.
(ii) Financial statements for the Southern Provincial Cooperative Development Department Surplus Fund had not been prepared and furnished for audit from 1991 until the end of the year under review. Accordingly, the total assets of the Fund, amounting to Rs. 262,443,441 as of 31 December of the year under review, had been omitted from the Provincial Council Fund Account for the year under review.	Initial arrangements are underway to obtain balance confirmations, and action will be taken to submit the final account for audit soon after the balance confirmations are received.	Assets should be accurately identified and accounted for.
(iii) Since the value of Property, Plant, and Equipment of the Southern Provincial Ministry of Fisheries, revalued during the year under review, had been understated by Rs. 5,610,734, and the value of the fixed assets amounting to Rs. 85,643,000 belonging to the Beliatta Pharmaceutical	Action will be taken to correct this in the future.	The value of depreciation expense of property, plant, and equipment should be accurately identified and accounted for.

Manufactory of the Department of Ayurveda had not been accounted for, the Property, Plant, and Equipment of the Southern Provincial Council Fund as of 31 December was understated by Rs. 91,253,734, and the depreciation expenditure was understated by Rs. 2,375,355.

- | | | | |
|------|---|--|---|
| (iv) | <p>Since the fixed assets worth Rs. 70,996,540, purchased by eight institutions during previous years and the year under review, had not been accounted for, and the value of a solar panel belonging to the Southern Provincial Department of Local Government had been overstated by Rs. 604,727, the value of property, plant, and equipment of the Provincial Council Fund Account as of 31 December was understated by Rs. 70,391,813.</p> | <p>Action will be taken to correct this in the future.</p> | <p>The value of property, plant, and equipment should be accurately identified and accounted for.</p> |
| (v) | <p>As the value of 25 motor vehicles and 24 motorcycles, totaling Rs. 61,757,745 and belonging to the Southern Provincial Department of Education and the Chief Ministry as of 31 December of the year under review, had not been accounted for under the related head, the value of property, plant, and equipment of the Provincial Council Fund Account as of 31 December of the year under review was understated by the same amount.</p> | <p>Action will be taken to correct this in the future.</p> | <p>The value of property, plant, and equipment should be accurately identified and accounted for.</p> |

- | | | | |
|-------|--|--|---|
| (vi) | <p>Since the total value of lands and properties owned by the Southern Provincial Chief Secretariat as of 31 December of the year under review had been understated by Rs. 20,158,000, and the value of the Bataatha-South Integrated Farm Project land, containing 28 Acres, 1 Rood, and 29 Perches, transferred to the Southern Provincial Chief Ministry by the Ambalantota Divisional Secretariat on 7 December of the year under review, had not been assessed and accounted for, the value of lands in the Provincial Council Fund Account had been understated.</p> | <p>Action will be taken to correct this in the future.</p> | <p>The value of property, plant, and equipment should be accurately identified and accounted for.</p> |
| (vii) | <p>Since the value of two computer software systems belonging to the Southern Provincial Chief Secretariat had been understated by Rs. 2,335,000, and the value of factories constructed at a cost of Rs. 15,701,915 by two institutions of the Southern Provincial Council during the previous years and the year under review, as well as the fixed assets worth Rs. 12,883,500 owned by the Management Development and Training Institute of Southern Province, had not been accounted for, the total value of property, plant, and equipment of the Provincial Council Fund Account was understated by Rs. 30,920,415.</p> | <p>Action will be taken to correct this in the future.</p> | <p>The value of property, plant, and equipment should be accurately identified and accounted for.</p> |

- (viii) According to Section 8.2 of the Chief Secretary's Circular (Accounts and Payments) No. 03/2023 dated 01 January 2024, which provides guidance for preparing accounts for the year 2023, the accounting for all non-financial assets belonging to an entity should be completed by the end of the year under review. Nevertheless, 29 fixed assets belonging to four institutions of the Southern Provincial Council had not been valued and accounted for. Consequently, the value of these assets was understated in the Provincial Council Fund Account.
- Action will be taken to conduct the relevant assessments and include them in the financial statements for the year 2024.
- The value of property, plant, and equipment should be accurately identified and accounted for.
- (ix) Even though the Southern Provincial Council Cooperative Development Department was required to credit Rs. 26,708,965, relating to the receipt of referees' fees for the year under review, to the revenue of the Provincial Council, this amount was retained in three general accounts maintained by three district offices. Only Rs. 1,319,290 of that amount had been credited to the revenue of the Provincial Council. The remaining Rs. 25,716,897 was spent without being credited to the Provincial Council Fund, and these transactions were not disclosed by the Provincial Council Fund.
- Further action will be taken to account for the receipts and payments of referees' fees in a manner that ensures they are disclosed in the financial statements starting from the year 2024.
- Action should be taken to ensure that all revenue is credited to the Provincial Council Fund

1.2.2 Non-reconciled Control Account

(a) Southern Provincial Council Fund

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>The stamp duty and court fines payable to local government authorities, as stated under the current liabilities in the statement of financial position, amounted to Rs. 681,794,411 and Rs. 11,201,340, respectively. However, according to the financial statements submitted by the related local government authorities, these values were Rs. 1,649,058,200 and Rs. 81,548,318, respectively, resulting in a difference totaling Rs. 1,037,610,767.</p>	<p>The remaining stamp duty and court fines payable as of 31 December 2023 were Rs. 681,794,410 and Rs. 11,201,339, respectively. Accordingly, the relevant local government authorities were informed of these amounts. Although these institutions should include the amount recommended by the Provincial Revenue Commissioner, the amounts indicated in the documents sent by the Land Registry regarding the stamp duty payable by these institutions have been recorded. Furthermore, in the preparation of accounts at the beginning of the year, an estimated amount was added to the accounts, considering that the amount should be received by the local government authorities for the year. These factors contributed to the difference, and the local government authorities were instructed to include the balances referred to by the Provincial Treasury in those accounts.</p>	<p>Action should be taken to prepare financial statements by reconciling balances.</p>

1.2.3 Lack of Evidence for Audit

Southern Provincial Council Fund

Audit Observation

Information about whether the value of property, plant, and equipment worth Rs. 16,778,168, owned by the Management Development and Training Institute, Southern Province, and purchased before 2018, was accounted for in the Provincial Council Account was not made available for audit.

Comment of the Chief Accounting Officer

These expenditures have not been capitalized since 2018, and the relevant errors of omission will be corrected in the financial statements for the year 2024.

Sufficient and appropriate audit evidence should be furnished.

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

1.3 Responsibility of the Management for the Financial Statements

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

1.5 Comments of the Financial Statements

1.5.1 Head 300 - Southern Provincial Governor's Secretariat

(a) Noncompliance with Laws, Rules and Regulations and Management Decisions

Reference to Non-compliance Laws, Rules and Regulations	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding the circular provisions regarding national policies on public expenditure management. Accordingly, an officer holding a position at the Southern Provincial Governor's	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles. Action should be taken in accordance with circular provisions.

Secretariat was overpaid Rs. 295,280 as a fuel allowance due to exceeding the approved limit, and Rs. 56,100 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

(b) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) In accordance with Section 3.1 of Circular No. 30/2016, dated 29 December 2016, issued by the Secretary to the Ministry of Public Administration, a fuel consumption test should be conducted by completely filling the fuel tank of official vehicles. After conducting the test, the consumed quantity of fuel should be refilled. However, an additional fuel expense of Rs. 163,402 was incurred for conducting fuel consumption tests on 08 official vehicles belonging to officers entitled to official vehicles at the Governor’s Secretariat, who were already receiving a monthly fuel allowance for this purpose.</p>	<p>The concerned officers have been notified to recover the additional fuel expenses of Rs. 163,402, and the audit will be informed once the amount is recovered.</p>	<p>Action should be taken in accordance with circular provisions.</p>
<p>(ii) In accordance with the decisions of the Cabinet dated 02 May 2019 and 15 January 2020, a monthly allowance of Rs. 75,000, along with the facilities</p>	<p>By virtue of the powers vested in the Governor under Section 33 of the Provincial Council Act No. 42 of 1987, the relevant officer has</p>	<p>Action should be taken in accordance with the Cabinet decisions.</p>

applicable to a position of Senior Assistant Secretary in a line ministry and an official vehicle, had been provided to the Governor's Advisor starting from 25 June 2019. Accordingly, sums totaling Rs. 3,203,409 had been paid to this officer as the Governor's Advisor from 25 June 2019 to 31 August 2023 in the form of fuel allowances. The following matters were observed in this connection.

been appointed as a member of the Southern Province Public Service Commission by Letter No. G/SP/Legal/108 dated 18 March 2020. The allowances and other payments entitled to the relevant post are made by the Public Service Commission.

(a) While performing the duty as a Governor's Advisor, this officer had been appointed as a member of the Public Service Commission from 18 March 2020. After assuming the duty on 19 March 2020, he had obtained allowances totaling Rs. 1,166,838 until 31 August 2023.

By virtue of the powers vested in the Governor under Section 33 of the Provincial Council Act No. 42 of 1987, the relevant officer has been appointed as a member of the Southern Province Public Service Commission by Letter No. G/SP/Legal/108 dated 18 March 2020. The allowances and other payments entitled to the relevant post are made by the Public Service Commission.

Action should be taken in accordance with Cabinet decisions.

(b) Furthermore, whilst performing his duties in the capacity of the Governor's Advisor and a member of the Public Service Commission, he was appointed as a Director of the Galle Heritage Foundation starting from 22 June 2020. Upon assuming the duty on 22 August

The Galle Heritage Foundation is not an institution functioning under the Hon. Governor or the Southern Provincial Council.

Action should be taken in accordance with Cabinet decisions.

2020, he received allowances totaling Rs. 2,354,639 up to 31 August 2023.

- (c) While using the official vehicle, the Governor's Advisor had obtained fuel allowances. Despite being obtained approval for parking the vehicle at his personal residence, a car belonging to the Galle Heritage Foundation was also used and driven for a distance of 2,450 kilometers. Additionally, 410 liters of fuel valued at Rs. 142,280 were obtained from the Galle Heritage Foundation for the vehicle provided by the Governor's Secretariat from July 2022 to 31 December of the year under review. Furthermore, he was required to perform his duties on a full-time basis as the Director of the Galle Heritage Foundation; however, this had not been done.
- It is kindly informed that the Galle Heritage Foundation is not an institution functioning under the Hon. Governor or the Southern Provincial Council. That institution operates in accordance with the regulations and provisions of that institution and it is responsible for the conduct of relevant inspections.
- Action should be taken in accordance with Cabinet decisions.
- (d) Accordingly, salaries and allowances had been obtained from the three institutions until December 2020. Furthermore, from January 2021 up to now, he has received an official vehicle with a fuel allowance from the
- The allowance for the position of Governor's Advisor was obtained only up to August 2020. From September 2020 to December 2021, a fuel allowance for 140 liters, and from January 2022 onward, a fuel allowance
- Action should be taken in accordance with Cabinet decisions.

Governor's Secretariat, salaries and allowances from the Galle Heritage Foundation, and allowances from the Public Service Commission.

for 135 liters, was obtained to cover the duties of the Governor's Advisor position.

The vehicle for covering the duties of the Governor's Advisor position was assigned with the approval of the Hon. Governor. The allowances for the Public Service Commission and the Galle Heritage Foundation, as well as other payments, are not made by this office.

(iii) Inspection of Official Vehicles of Governor's Secretariat

(a) Although it was stated in Section 4.2 of the Presidential Secretary's Circular No. PC/CSA/11-18 dated 12 October 2018 and the Amended Public Administration Circular No. 13/2008(VI) dated 29 December 2021 that the monthly fuel allowance can be paid, a sum of Rs. 601,512 was paid as a fuel allowance for 1,704 liters at 213 liters per month for the vehicle assigned to the Public Relations Officer of the Southern Provincial Governor's Secretariat. This was despite using the Governor's official vehicle or the Governor's security car for duties during the period from January to August

A monthly fuel allowance for the official vehicle used by the Public Relations Officer has been paid according to the provisions of the Presidential Circular issued by the Presidential Secretary under public expenditure management. Similarly, as per the same circular, a monthly fuel allowance has been paid to the Hon. Governor for the specified number of liters of fuel for the Governor's security vehicles.

Action should be taken in accordance with circulars.

2023, instead of the official vehicle assigned to the Public Relations Officer. Furthermore, an amount of Rs. 1,397,880 was paid for the Governor's security car for the same period, covering 3,960 liters of fuel at 495 liters per month.

(b) Similarly, the Public Relations Officer had not used the vehicle assigned to his position for 118 days out of 119 days when he traveled for field duties during the period from January to August 2023 and had used the Governor's official vehicle or the Governor's security vehicle for this purpose.

Even though the vehicle has been reserved for the Public Relations Officer, there are cases where, when the Hon. Governor is away on official duties, the Public Relations Officer has traveled in the Governor's official vehicle or, in some cases, in the escort car, following the instructions of the Hon. Governor and for the convenience of duties. The Public Relations Officer has received travel expenses for only one vehicle.

In presenting future programmes and completed programs, steps should be taken to indicate the work done on each day clearly.

(iv) The Running Charts for a Jeep, designated as the Governor's pool vehicle, were submitted only for January 2022, in accordance with Annexure 01 of Public Administration Circular No. 13/2008, dated 26 June 2008. The milometer reading at the end of January was 598,296. By the time of the fuel consumption test on 19 September 2023, the mileage reading

There is no assigned driver for the cab, and only two drivers have been employed to manage four vehicles: three escort vehicles, including the Governor's official vehicle, and the vehicle assigned to the Public Relations Officer. These two drivers operate the four vehicles as needed. Consequently, although the vehicles were used

Action should be taken in accordance with Financial Regulation 1645.

was 602,460, indicating that 4,164 kilometers had been driven during that period. However, Running Charts for this period were not submitted.

for official duties, it has been challenging to obtain the Running Charts for the cab. Measures will be taken to prevent this issue in the future.

- (v) The current Chairman of the Southern Provincial Public Service Commission, which consists of six members, is 78 years old and one member is 54 years old. The ages of the remaining members range from 65 to 77 and their service periods vary from 03 to 29 years. Furthermore, two members, aged 77 and 78, have been continuously re-appointed to the Commission since 1994 and 1997, respectively and their service periods in the Public Service Commission are 29 and 26 years. Although no age limit is specified for the appointment of Commission members by the Governor, it is observed that appointing the most suitable officers is essential for making timely and effective decisions. Additionally, continuous long-term service by members can lead to the formation of personal dominance within the Commission.

The members of the Southern Provincial Public Service Commission are members appointed by the various Governors who have served in the Southern Provincial Council during their respective tenures. The powers of the Provincial Governor to appoint a new member as well as to re-appoint a person who has been appointed to the Commission under the above provisions are not limited by any legal provision and it is a matter of discretion of the Provincial Governor.

Arrangements should be made to appoint suitable individuals as Commission members, subject to a specified age limit.

1.5.2 Head 301 - Southern Provincial Council Secretariat

(a) Noncompliance with Laws, Rules and Regulations and Management Decisions.

	Reference to Non-compliance Laws, Rules and Regulations	Comment of the Chief Accounting Officer	Recommendation	
(i)	Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated January 2014	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, two officers belonging to a position at the Southern Provincial Governor's Secretariat were overpaid Rs. 950,733 as a fuel allowance due to exceeding the approved limit, and Rs. 324,145 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

- (ii) Letter No. G/SP/1/57 Volume 01 of the Secretary to the Governor of Southern Province dated 09 August 2010. Contrary to the referenced letter, the Council Secretariat paid an allowance of Rs. 1,350,000 for renting a house to the Chairman of the Southern Provincial Council from August 2020 to October 2022. Payment of this allowance has been stopped from October 2022 according to circulars PS/CSA/11-18(1) and PS/CSA/11-18 (11) issued in the year 2022. Action should be taken in accordance with circular provisions.
- (iii) Circular of the Secretary to the President
- (a) Section 1 of Circular No. PS/CSA/11-18 dated 12 October 2018. Even though the office allowances could not be paid after the dissolution of the Provincial Council as outlined in the referenced circular, Rs.1,850,000 had been paid as office allowance to the Chairman of the Southern Provincial Council from October 2019 to October 2022 by the Provincial Secretariat. There is no indication in relation to the office allowance as per the Circulars No. PS/CSA/11-18 dated 12 October 2018 and no is there any indication for preventing from paying the other allowances not included in the said Circular. This allowance has been paid as per the approval received from the Letter No. CSS/7/1/2 dated 31 May 2019 and the payment of this allowance has been stopped from October 2022 according to Circulars issued in 2022. Action should be taken in accordance with circular provisions.
- (b) Section 4.1 of the Circular No. PS/CSA/11-18 dated 12 October 2018. Despite the information that the Chairman of the Provincial Council is entitled to 600 liters of fuel for a diesel vehicle and 500 liters of fuel for a diesel vehicle as per the referenced circular, a sum of Rs.708,000 had been paid by the Provincial According to the Secretary to the Governor's Letter No. G/SP/1/2/1/3/19 dated 09 August 2019, approval had been granted to provide a fuel allowance of 600 liters of diesel per vehicle for the two official vehicles allocated to the Honorable Chairman starting Action should be taken in accordance with circular provisions.

Secretariat for 3,900 liters of diesel obtained at 600 liters of fuel as per the Letter No. G/SP/1/2/1 /3/19 dated 09 July 2019 of the Governor of Southern Province from July 2019 to September 2022 overriding the above provisions. Furthermore, an excess amount of Rs. 682,525 had been paid due to making payments based on super diesel rates without complying with the instructions of the Circular.

from April 2019. The Public Expenditure Management Circular does not specify the type of fuel to be given in the payment of fuel allowance. Although National Budget Circular 2014/1 stipulates that fuel allowances should be paid at normal fuel rates, these instructions were only applicable for the period 2014-2016.

- (c) Section 4.2 of Circular No. PS/CSA/11-18 dated 12 October 2018
- | | | |
|--|---|--|
| <p>Contrary to the referenced Circular, Coordinating Secretary and the Public Relations Secretary to the Chairman of the Southern Provincial Council had been provided with a vehicle allowance of Rs.3,700,000 at Rs.50,000 each per month from October 2019 to October 2022 and a fuel allowance of Rs.2,516,680 had also been paid from August 2019 to October 2022 although they were not provided with official vehicles.</p> | <p>According to Section 3.4 of the Secretary to the President's Public Expenditure Management Circular PS/CSA/11-18, the officials numbered 1, 2, and 4 of the support staff for the Hon. Provincial Council Chairmen—namely, the Private Secretary, Coordinating Secretary, and Public Relations Officer—are entitled to one official vehicle each. However, due to a lack of additional vehicles at that time, a vehicle allowance was provided instead. Payments for this allowance were discontinued from October 2022, as per Circulars PS/CSA/11-18(1) and PS/CSA/11-18(11) issued in 2022.</p> | <p>Action should be taken in accordance with the provisions.</p> |
|--|---|--|

- (d) Public Expenditure Management - Provincial Council Circulars No. PS/CSA/11-18(I) dated 27 September 2022 and No. PS/CSA/11-18(II) dated 28 October 2022.
- Despite the fact that the allowances payable to the Chairpersons of the Provincial Council are clearly outlined in the referenced circular, without being complied with it, an amount of Rs. 104,818 was paid to the Sri Lanka Insurance Corporation for the provision of medical insurance to the Chairman of the Southern Provincial Council following the approval of the Honorable Governor of the Southern Province on 06 April 2023, based on the request made by the Secretary of the Council on 30 March 2023. Similarly, in accordance with Cabinet Decision 566 on 27 April 2011, although the then Cabinet of Ministers had given approval for this purpose, the President's Secretary had given instructions to limit the expenses through circulars to manage the public expenses of the Provincial Councils in view of the financial crisis in the country in the year 2022. However, no action had been taken accordingly.
- According to Cabinet Decision 566, dated 27 April 2011, the annual medical insurance scheme was successfully provided to honourable ministers and MPs. However, following the dissolution of the Seventh Provincial Council on 10 April 2019, the medical insurance scheme was also discontinued. Despite this, Section 7 of the Provincial Council Act No. 42 of 1987 stipulates that the Honourable Chairman of the Provincial Council should continue to hold the position even after the dissolution. Therefore, the medical insurance scheme should have continued to be implemented.
- Action should be taken in accordance with circular provisions.

(b) Management Inefficiencies

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

- | | | | |
|------|--|--|--|
| (i) | Since the Southern Provincial Council had been dissolved from 10 April 2019, the tenure of the members was also abolished. However, the firearm given to one member of the Provincial Council on 22 August 2016 had not been returned to the government even by 31 December of the year under review. | The concerned member has submitted a copy of the complaint receipt for the report made to the Hikkaduwa Police regarding the fact that the firearm was stolen. | Appropriate follow-up measures should be properly implemented. |
| (ii) | A total of 51 laptops, 54 tabs and a computer had been given to the ministers and the council members on 25 August 2015 at a cost of Rs.10,484,810. Although the Provincial Council had been dissolved from 10 April 2019, they had not been returned to the Council Secretariat even by 31 December of the year under review. Nevertheless, no necessary action has been taken in this regard up to date. | It has been communicated that appropriate measures should be followed for future work and that no further action can be taken until a provincial council is reestablished. | Action should be taken to retrieve the relevant laptops, tabs and computers. |

1.5.3 Head 302 - Southern Provincial Public Service Commission

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

Reference to Non-compliance Laws, Rules and Regulations	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Secretaries of Provincial Councils about the limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, an officer belonging to a position at the Southern Provincial Public Service Commission were overpaid Rs. 1,005,520 as a fuel allowance due to exceeding the approved limit, and Rs. 340,540 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles. Action should be taken in accordance with Circular Provisions.

(b) Management Inefficiencies

Audit Observation

**Comment of the Chief Recommendation
Accounting Officer**

Of the service minutes related to 10 positions in the Southern Province Public Service received by the Southern Province Public Service Commission, 07 were approved by the Public Service Commission, and the Governor of the Southern Province had approved all 10 service minutes. However, no gazette notification had been published regarding the service minutes for any of the positions in the Southern Provincial Public Service as of 31 December of the year under review.

The service minutes of the Southern Provincial Public Service are aligned with those of the Central Government. Since the central government prepares these service minutes in all three languages and publishes them in the gazette, there is no need for the provincial public service to re-gazette the same service minutes.

Action should be taken to approve service minutes and issue a gazette notification.

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

(a) Non-compliance with Laws, Rules and Regulations and Management Decisions.

**Reference to Non-compliance
Laws, Rules and
Regulations**

**Comment of the Chief Recommendation
Accounting Officer**

- | | | | | |
|-----|--|---|--|--|
| (i) | Southern Provincial Financial Rules 46.1 | Liabilities of Rs. 2,701,831 had been incurred exceeding the provision made for 08 Objects of the Southern Provincial Chief Ministry. | Action will be taken to adhere to F.R.46.1 and control these situations in the future. | Action should be taken in accordance with Financial Rules. |
|-----|--|---|--|--|

- (ii) Financial Rule 259.2 and Chief Secretary (Accounts and Payments) Circular No. 03/2023 dated 02 January 2024 of Chief Secretary Southern Province
- Accounts shall be settled at the end of the year in accordance with the referred rule, and the imprest balance as of December 31 shall be repaid to the Provincial Treasury on or before January 10 of the following year, or by any other date specified by the Provincial Treasury. Nevertheless, action had not been taken accordingly in respect of imprest balance of Rs. 179,441 of the Southern Provincial Chief Ministry.
- Action will be taken to correct this in the future.
- Action should be taken in accordance with Financial Rules.
- (iii) Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.
- Despite informing the Chief Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 05 officers belonging to 04 positions at the Southern Provincial Chief
- Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.
- Action should be taken in accordance with circular provisions.

Ministry were overpaid Rs. 2,471,315 as a fuel allowance due to exceeding the approved limit, and Rs. 1,090,657 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

- (iv) Paragraph 02 of Guidelines For Employers On Deducting Advance Personal Income Tax (APIT) From Employment Income No. SEC/2023/E/01 dated 29 March 2023 issued by the Commissioner General of Inland Revenue.
- Although gains and profits from Employment should be included according to the referred procurement committee allowances of Rs.982,000 received by two officials of the Chief Ministry during the period from January 2023 to 31 January 2024 was not taken into account for the calculation of Pay As You Earn Tax.
- The procurement allowance received during the period from January 2023 to 31 January 2024 is Rs.982,000 and it had not been applied for the calculation of Pay As You Earn Tax. The Inland Revenue Department will be consulted regarding the adjustment and recovery of an allowance related to the previous year to the current situation, and accordingly, the amount of the allowance will be collected from the relevant officers through future salary payments for the calculation of the relevant tax and the audit will be informed of the matter.
- Action should be taken in accordance with Guidelines issued by the Commissioner General of Inland Revenue.

(b) Management Inefficiencies

Audit Observation

A sum of Rs. 15,000,000 of the amount allocated for providing driver training by the Southern Provincial

Comment of the Chief Accounting Officer

Although the balance in this account was allocated for payments to driving training

Action should be taken to fulfill the intended purpose using the allocated provision.

Development Authority under the schools for conducting courses in resolutions of the members in 2019 2019/2020 as per the members' and 2020 and a sum of Rs. 5,000,000 resolutions, the training courses out of Rs.8,281,140 in the Southern were not held, and driver's Province Development Authority's licenses were not issued due to General Deposit Account as of 31 the COVID-19 pandemic that December 2021 had been returned to lasted for three years. the Chief Ministry on 23 December Consequently, the funds could 2021. After retaining the money in the not be utilized for the intended General Deposit Account it had been purpose. credited to the government revenue on 09 February 2023.

(c) Procurement

Audit Observation

**Comment of the Chief Recommendation
Accounting Officer**

- (i) Under Provincial Specific Development Grants – 2023, provision of Rs.8,000,000 had been allocated for regulation of services simultaneous to the bus services in the Southern Province. In order to develop a web-based online license issuance app for the regulation of three-wheelers, school service vehicles, office service vehicles and other passenger service vehicles in the Southern Province utilizing that provision and supply by the Southern Province Road Passenger Transport Authority, a newspaper advertisement was

published on 26 September 2023 to call for bids under the national competitive bidding method. Accordingly, the Ministerial Procurement Committee dated 13 November 2023 had given approval to a private company to design and supply the said app for Rs.7,590,000 (without VAT) with a warranty period of 05 years. The following facts were observed during the course of inspection in this regard.

- (a) The Performance Bond of the Bank of Ceylon worth Rs. 379,500 which the Ministry had obtained for the development of the app had expired on 28 January 2024. Although the app had not been designed and handed over by the date of audit on 16 February 2024, steps had not been taken to extend the period of the performance bond.
- The performance security was obtained until 28 January 2024, with the expectation of completing this procurement by 31 December 2023. Since the Technical Evaluation Committee recommended that 80% of the project was completed by 31 December 2023, and the remaining 20% is expected to be completed before 28 January 2024, no action was taken to extend the performance security beyond 28 January 2024.
- Action should be taken in accordance with Procurement Guidelines.

- (b) When submitting the bids for the selection of an institution to the Technical Evaluation Committee, the Technical Evaluation Committee had requested written evidence of the projects completed by the institution over the past 05 years. However, the audit observed that this company was only registered with the Office of the Registrar of Companies on 18 April 2023.
- This institution has been active in the field for a long time, and documents confirming five years of relevant experience were submitted under the written facts to the Technical Evaluation Committee. Its current registration under the name ALDTAN was done on 16 April 2023.
- Action should be taken in accordance with Procurement Guidelines. Furthermore, necessary steps should be taken to carry out works under a low cost in consultation with other public institutions.
- (c) In obtaining a performance bond of Rs.379,500 at the time of entering into the agreement, the bond had been presented from the Bank of Lanka Rakwana branch in the name of the concerned company at the request of an outsider who was not the active director of the said company. Similarly, advance
- It is mentioned that performance security has been obtained until 28 January 2024 with the expectation of completion of this procurement by 31 December 2023. Since the Technical Evaluation Committee recommended that 80% of the project was completed by 31 December 2023, and the remaining 20% is expected to be completed before 28 January 2024, no action was taken to extend the performance security beyond 28 January 2024.
- Necessary measures should be taken to ensure transparency in the execution of activities.

payment security of Rs.1,518,000 related to advance payment had also been issued from the same Bank of Ceylon branch on 24 November 2023.

1.5.4.1 Southern Province Road Passenger Transport Authority

(a) Accounting Deficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Although the gratuity expenditure for the year under review should have been Rs.6,114,080, it was shown as Rs.193,105 thus understating by Rs.5,920,975 in the statement of financial performance.	Necessary action will be taken as pointed out by the audit from the year 2024.	Accuracy should be ensured in the process of accounting.
(ii) The expenses of Rs.49,854,693 incurred by the Chief Ministry on behalf of the Authority from the year 2019 to the year under review had not been included in the accounting system.	The expenses incurred by the Chief Ministry from the year 2019 to the year 2022 were not included in the account and they were included in the expenses for the year 2023.	Financial statements should be prepared correctly and completely.
(iii) Even though the balance of the gratuity allocation account for the year under review should be Rs. 58,409,230, it had been stated as Rs. 54,807,235, thus understating by Rs. 3,601,995.	The gratuity calculation has been done by computer and there has been an error in addition. Accordingly, a sum of Rs.3,601,995 has been understated.	Allocations for gratuity for the year under review should be made in accordance with Sri Lanka Public Sector Accounting Standard No. 19.

- (iv) When stating the employees loans amounting to Rs. 22,217,916 in the statement of financial position, a sum of Rs. 8,619,147 recoverable within a year had not been stated under the current assets as required by Sri Lanka Public Sector Accounting Standard No. 01
- Action will be taken to state the employee loan balance under current assets and long-term assets according to Sri Lanka Public Sector Accounting Standard No. 01 from the ensuing year onwards.
- Assets should be identified in terms of Sri Lanka Public Sector Accounting Standard No. 01

(b) Management Inefficiencies

Audit Observation

Comment of the Chief Accounting Officer

- | Audit Observation | Comment of the Chief Accounting Officer | Recommendation |
|--|--|--|
| <p>(i) An interest income of Rs. 34,023,029 had been received for the fixed deposit of Rs. 626,355,000 which was started by the Road Passenger Transport Authority from the year 2019. For that interest, the bank had deducted 05 percent withholding tax (WHT) value of Rs. 1,790,685 and sent directly to the Inland Revenue Department. However, no steps had been taken to recover the amount from the Inland Revenue Department or to request the relevant bank to refrain from deducting the withholding tax on the clearance certificate obtained from the Inland Revenue Department, as the Authority has no tax liability.</p> | <p>Inland Revenue Department has been notified regarding withholding tax. Further action will be taken according to the instructions given by the Inland Revenue Department.</p> | <p>Relevant provisions should be followed in respect of the Withholding Tax (WHT) paid by the Authority.</p> |

- (ii) For display of advertisements using digital screens at Galle Bus Station premises maintained by Road Passenger Transport Authority, the Authority's Mutual Welfare Society had assigned the task to a private company and signed an agreement to carry out it for a period of one year without charging the Authority any fees. Accordingly, as per the information obtained from the private company, it was confirmed that advertisements are displayed under 7 main categories within a period of 14 hours a day, and the advertisement fee is Rs.8,000 for 8400 seconds per month according to the minimum charges. Accordingly, despite the Authority's ability to generate an annual income of at least 17 million rupees, this opportunity was entrusted to external parties.
- All these 04 bus stations are not bus stations under the Authority's ownership or administrative rights, or maintained under the Authority. Therefore, in relation to bus stations, the Authority or the member board does not have the authority to lease the shops or refer to sources of income thereunder.
- Action should be taken to identify the sources of income that can be obtained from the bus station premises maintained by the Authority and implement relevant activities.
- (iii) The project report on using GPS technology for bus service management stated that the Southern Province will lose 3,250,000 minutes annually due to delays of 13,000 trips per day with a delay of at least 05 minutes during each trip. Accordingly, if a fine was charged for that one delayed trip in accordance with the Southern Province Road Passenger Transport Authority Charter No. 02 of 1996, a minimum of Rs. 949 million per year could have been
- Since this project is being implemented under the primary objective of creating a high-quality passenger transport service that is equitable for all, as outlined in the chartered objectives, and the Parliament of Sri Lanka has directed all transport agencies to implement this project nationwide, this project is being implemented under these objectives.
- Action should be taken to recover fines for delayed trips in accordance with Southern Province Road Passenger Transport Authority Charter No. 02 of 1996.

charged as fine. Nevertheless, only Rs.80,750 had been charged for delayed trips for the year under review. Further, that amount was only 0.01 percent of the amount that could have been collected.

(c) Operating Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>Since a fixed deposit invested by the Road Passenger Transport Authority at an interest rate of 15 percent on 05 December 2022 was released 66 days before its maturity, it resulted in a loss of Rs. 1,125,000.</p>	<p>The relevant amount was invested for a period of 11 months and was not invested for 25 days for the relevant settlement to be made on 31 December 2022. Therefore, it was not held until its automatic maturity.</p>	<p>Optimum financial management should be ensured.</p>

(d) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>On 03 January 2022, the Southern Provincial Road Passenger Transport Authority had deposited a surplus amount of Rs. 59,080,000 in a savings account as a fixed deposit with an annual interest rate of 7.5 percent, set to mature on 03 January 2023. However, according to letter No. SPRTA/ACC/F1/01 dated 30 December 2022, from the Director of Admin and Development Finance of the Southern Provincial Road Passenger Transport Authority, the deposit was released 4 days before its maturity, under an interest income of Rs. 846,398</p>	<p>The Authority has earned a higher interest rate than this amount by reinvesting the money subsequently</p>	<p>Further action should be taken following an investigation in this regard.</p>

1.5.4.2 Southern Provincial Development Authority

(a) Accounting Deficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) There was a difference of Rs. 9,609,289 between the revolving funds debtors value stated in the statement of financial position and the revolving funds debtors value as per the individual balance register submitted to audit on 31 December 2023.	Arrangements are being made to identify the differences occurred in the years 2017, 2018 ,2019, 2020, 2021, and 2022 and make necessary adjustments in the General Ledger.	The revolving funds debtors value should be accounted for accurately.
(ii) The Authority had spent Rs.2,170,250 for the project in establishing a sales center using container boxes under the Criteria-Based Development Plan 2021. However, since this expenditure had not been capitalized by the date of the audit, it had resulted in understatement of the property, plant, and equipment value by Rs. 2,170,250.	Even though the Authority has spent Rs. 2,170,250 for the project in establishing a sales center using container boxes under the Criteria-Based Development Plan 2021, that amount has not been capitalized up to the date of audit. Arrangements have been made to correct that mistake and to enter the value of property, plant and equipment in the books in the year 2024.	Assets should be accounted for accurately.
(iii) As a sum of Rs.55,000,000 received from the Treasury for various projects had been kept in the bank current accounts of the Authority without implementing the projects, it had been informed to remit that amount to the	According to the notice issued by the Secretary of the Ministry on 20 December 2021, to return any remaining funds in the accounts, Rs. 5,000,000 was returned from the general	Funds received from the Treasury for projects should be used efficiently to achieve the objectives of those projects.

Treasury. However, only Rs. 20,000,000 of that amount had been paid to the Treasury in December 2021 and an amount of Rs. 35,000,000 had been further retained.

account (recurrent expenditure account) and Rs. 15,000,000 from the Members Allocation Account on 23 December 2021 with the approval of the Honorable Chairman and Director General.

However, the requested amount of Rs. 30,000,000 from the revolving fund loan payment account was not sent to the Ministry, as it was decided to retain these funds for use following the initiation of the loan issuance.

- (iv) The voucher related to the expenses of Rs.1,570,250 incurred for the project of establishing a sales center using container boxes in the year 2021 had gone missing.
- The project to establish a sales center using container boxes is a new programme executed under the approval of the Board of Directors. Soon after knowing that the purchase voucher was missing, the Honorable Chairman and the Director General were informed about the matter. Necessary arrangements will be made to conduct an investigation in this regard in the future.
- Security of vouchers should be ensured as per financial rules and necessary measures should be taken on misplaced vouchers.

(b) Non-compliance with Laws, Rules, Regulations and Management Decisions.

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
--	--	-----------------------

Para 4.1 of the Scheme of Recruitment for the post of Senior Management Service Category	Even though in making recruitments to a post in the senior management service category as per the aforementioned paragraph, the qualifications to be filled by external applicants had been mentioned as a postgraduate degree along with a recognized degree, the officer currently serving as the Director General of the Southern Province Development Authority had not met these qualifications.	Court proceedings are ongoing, and the case has been called seven times to date. Consequently, recruitment for the position of Director General has been temporarily suspended. Therefore, on 23 September 2019, the current Acting Director General was appointed with the approval of the Board of Directors, based on the recommendations of the Honorable Governor.	Action should be taken in accordance with the scheme of recruitment.
--	---	---	--

(d) Management Inefficiencies

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

The Southern Provincial Development Authority had not prepared formal guidelines regarding the provision of self-employment assistance and self-employment assistance had been provided based on the list of names provided by a member of the provincial council. In	Under the provision of self-employment assistance, self-employment assistance was given based on the capacity and engagement of the beneficiaries from the money allocated for the members of the Provincial Council in the years 2020-2021-	A formal guidelines should be formulated by the Authority.
---	--	--

the years 2020, 2021 and 2022, in a 2022. situation where the Southern Provincial Council is not functioning, the allocation of members had been provided under the names of the members. Accordingly, a sum of Rs. 2,945,583 had been disbursed as self-employment assistance in the year 2021 according to the lists of names submitted by 13 provincial council members who represented the previous provincial council.

(d) Unresolved Audit Paragraphs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The loss of Rs.18,034,507 directly incurred by the government in relation to the supply of 25 lakh tea plants by the Southern Provincial Development Authority had not been recovered from the relevant parties even by December 31 of the year under review.	A case is pending in the Galle District Court to recover the loss related to the tea plants. So far, the case has been called for 19 times.	Action should be taken to settle matters by drawing attention on the unresolved audit paragraphs.

1.5.4.3 Ruhunu Tourism Bureau

(a) Accounting Deficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Although it has been stated according to paragraph 72 of Sri Lanka Public Sector Accounting Standard No. 07	Ruhunu Tourism Bureau has made depreciation for the lands of both the buildings since the	Action should be taken in accordance with Sri Lanka Public Sector Accounting

- that depreciation should not be date of commencing its Standard.
calculated for land, lands valued at preparation of accounts. The
Rs.48,609,644 had been depreciated lands will not be depreciated
at Rs.2,430,482 in the year under henceforth.
review.
- (ii) Although the opening balance of land Although the net carrying Assets should be accurately
and buildings was the carrying amount of 185,403,610 at the identified and accounted for.
amount of Rs.185,403,610 at the end end of preceding year is not the
of the previous year, the opening correct value, as the same
balance of the reviewed year had information presented in the year
been stated as Rs.182,293,461, thus 2022 should be shown in the
understating the fixed assets by note, that information has been
Rs.3,110,149. shown. But the correct opening
balance was taken as opening
balance of the year 2023.
Otherwise, it will not be possible
to get the value of the year 2023
correctly. Accordingly, the value
of Rs.182,293,461 is the correct
value and there is no decrease in
fixed assets by Rs.3,110,149.
- (iii) Although the addition of the year for According to the ledger account, Assets should be accurately
land and buildings amounted to although the additions for the identified and accounted for.
Rs.8,775,631 as per the ledger year were Rs. 8,775,631, the
account, it had been stated as adjustments from the
Rs.12,916,612 according to the Notes accumulated fund in the ledger
to the Accounts 16. Consequently, are about Rs. 4,140,981. It has
the value of fixed assets had been been made up of the value of
overstated by Rs. 4,140,981 in the Akurala land of Rs. 3,000,000
financial statements. that was not included in the
accounts despite being
depreciated in 2022,

understatement of Rs. 270,509.96 occurred in counting the total of the lands in 2020, and 4,062,175 .08 incurred for the construction of Madunagala toilet system, but not stated in 2022 and Rs. 188,880 spent for the changing rooms constructed near the hot water springs. Accordingly, there is no overstatement for lands and buildings.

(b) Uneconomic Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) In order to provide information to local and foreign tourists, Ruhunu Tourism Bureau had installed 03 automatic KIOSK machines in the cities of Hikkaduwa, Weligama and Tangalle in the year 2022 by spending Rs.1,350,000. All the 03 KIOSK machines were not being used by any tourist even at the time of audit. Therefore, the amount of Rs. 2,488,954 that had been incurred for these machines and booths had become a completely fruitless expense.</p>	<p>Since these machines are located near towns, they accumulate dirt and dust and are cleaned monthly by the Bureau's labor officers. The company responsible for constructing the booths has been notified about the door lock defect. The necessary repairs must be performed by that company to ensure the defect is safely corrected without damaging the glass.</p>	<p>Necessary measures should be taken for the protection of the assets and attention should be paid to their utilization in other productive purpose.</p>

- (ii) As of 30 June 2023, an amount of Rs. 5,703,750 remained receivable by the Ruhunu Tourism Bureau from the company that had obtained the Hikkaduwa Abhimansala building on lease. Despite an expenditure of Rs. 47,722,156 on the building, it was taken over by the Hikkaduwa Divisional Secretariat due to its inability to meet the intended objectives and contribute to the promotion of the tourism sector.
- A written notice regarding the recovery of outstanding lease payments has been issued. Legal proceedings are currently underway at present.
- Necessary steps should be taken to recover the due arrears and to use the relevant assets for productive purposes.

1.5.5 Head 305 - Department of Health Services Southern Province

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

	Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation	
(i)	Financial Rules 46.1 Southern Provincial Financial Rules	Liabilities of Rs. 476,540,487 had been incurred in excess of the provisions made for 27 Objectives of the Department of Health Services, Southern Province.	Action will be taken to comply with the F.R.46.1 and control these incidents in the future.	Action should be taken in accordance with Financial Rules.

- (ii) Financial Rules 54 Losses amounting to Rs. 38,685,020 related to 58 vehicle accidents in the Southern Provincial Department of Health Services were to be further recovered or written off as at 31 December 2023 and it included 43 cases of Rs.28,202,395 less than 05 years, 14 cases of Rs.9,729,426 between 05-10 years and one case of Rs.753,200 more than 10 years. Although ongoing inspections in this regard should be immediately concluded, no action had been taken accordingly.
- Out of the vehicle accidents pointed out, 18 cases have been settled by now and the number of vehicle accidents further remained settleable as at 15.05.2024 is 40. Therefore, action will be taken to settle them in the future.
- Action should be taken in accordance with Financial Rules.
- (iii) Financial Rule 259.2 and Chief Secretary (Accounts and Payments) Circular No. 03/2023 dated 02 January 2024 of Chief Secretary Southern Province In accordance with the referred rule, accounts should be settled at the end of the year and the remaining imprest balance as on the 31st of December should be repaid to the Provincial Treasury on or before the 10th January of the following year or such date as may be fixed by the Provincial Treasury. No action had been taken accordingly regarding the imprest balance of Rs.111,851,705 in the
- Action will be taken to correct this in the future.
- Action should be taken in accordance with Financial Rules.

Southern Province Health Services Department. That balance included a balance of Rs. 4,755,322 older than 03 from 2020 to 2022 due from the Health Ministry and no written confirmations were submitted during the audit regarding that amount.

(b) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>Since the accident involving the ambulance belonging to Imadua District Hospital on 21 May 2015 had been informed to the insurance company a year after the accident, insurance compensation was not received. According to the report of the three-member committee dated 14 December 2016, the vehicle was handed over to the Ministry of Health on 10 January 2017 for disposal as scrap material as the repair was not effective. The report of the preliminary investigation committee appointed in this regard on 23 November 2015 was not submitted for audit and the loss was not recovered as per the recommendations of the investigation report till 31 December of the year under review.</p>	<p>On perusal of the files regarding the ambulance accident on 21 May 2015, a discrepancy was observed between the referred preliminary investigation reports and the F.R. reports. Therefore, it was directed on 13 March 2024 to have a discussion with the Secretary to the Chief Ministry before taking further action on this matter.</p>	<p>Action should be taken in accordance with Financial Rules and recommendations in the investigation report should be implemented.</p>

(c) Operating Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The repair work of 84 medical devices with a gross value of Rs. 28,380,000 which had been provided after calling for bids from two private companies during the period from 2019 to 2023 by the Hambantota Biomedical Engineering Unit was not completed even by the date of the audit.	Although institution was questioned, replies were not given and therefore, reminders were sent.	Confirmations on the repairs should be obtained from the relevant two companies.
(ii) According to the register of medical equipment sent for repair, the repairs of 1,726 medical equipment comprising 1,178, 112 and 252 devices referred to the Galle, Matara, and Hambantota biomedical engineering offices, respectively, from 2017 to 2023 from 301 institutions had not been completed.	Follow ups of all the medical equipment that have not been repaired so far are being conducted by our institutions liaising with the Tangalle Base Hospital and the District Health Services Director's Office and the relevant local agencies.	Repairs should be done expeditiously.

(d) Transactions of contentious nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) For the Mitsubishi Jeep and the Toyota Land Cruiser, which belonged to the Southern Province Health Services Department and were sold for scrap on 28 August 2008, due to their unroadworthy condition, revenue licenses had been obtained in private names from 2009 to 2024.	This will be further examined and reported to the audit.	The officials responsible for the incident should be identified and the damage to government should be recovered.

- | | | | |
|------|---|--|---|
| (ii) | Although 02 vehicles registered under the name of Southern Provincial Health Service Director had not been listed under vehicle disposals by the institute, those two vehicles had been registered under private names in the year 2018 respectively and had obtained revenue licenses up to the year 2023. | This will be further examined and reported to the audit. | The officials responsible for the incident should be identified and the damage to government should be recovered. |
|------|---|--|---|

(e) Apparent Irregularities

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Despite the appointment of an investigation committee on 16 November 2023 regarding the change in engine numbers of 03 ambulances belonging to the Hambantota District Health Services Directorate, the persons responsible had not been identified till the date of the audit.	Action will be taken in accordance with the recommendations of the investigation committee in the future.	Recommendations of the investigation should be implemented expeditiously.
(ii) Although it had been stated in the circular of the Secretary to the Ministry of Health No. 01/2021 dated 08 December 2021 that after identifying the expired medicines within a year through the Medical Supplies Information Management System (MSMIS) operational since 2016 and taking action for their disposal, the matter should be referred to the Secretary, Ministry of Health for writing off it from books in terms of	Although the request was made from the Ministry of Health in this regard by the letter dated 27 September 2023, no instructions were given for this purpose.	Action should be taken according to the recommendations of the preliminary investigation regarding the elimination of drugs from the system.

Finance Regulations 102 to 109, action had not been taken accordingly. Similarly, expired drugs worth approximately 23.6 million rupees and revealed by the committee reports had been deleted by PRONTO system without formal permission using the passwords given for the verification of stores.

(iii) By taking action in accordance with the recommendations of the preliminary investigation report given regarding the amount of Rs.457,009 worth of 793 liters of diesel and 369 liters of super diesel that had been defrauded to the government by the preparation of fake running charts, driving ambulances without approval, falsifying fuel balance and recording fake journey times in relation to 03 ambulances of Udugama Base Hospital, no action had been taken to recover the loss suffered by the Government and the officials responsible for the incident had not been dealt with as per the Schedule of Part II of the Establishments Code.

The preliminary investigation report has been forwarded to the Chief Ministry and further steps will be taken according to the recommendations.

Recovery of the loss suffered by the Government and taking action against the responsible officers should be expedited.

(f) Uneconomic Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) For the installation of a central air conditioning system at Kamburupitiya Base Hospital at a tax-free value of Rs.14,416,500, the Chief Ministry had entered into an agreement with a private company on 28 September 2015 and the work was to be completed by 28 December 2015. However, the project had not been completed and formally handed over on or after the scheduled date. Although a total of Rs.13,727,482 had been spent on correcting defects to the relevant company and Rs.938,940 had been spent on other organizations for electricity supply and servicing as at the date of audit on 15 September 2023, the central air conditioning system was not in working condition from its installation. Furthermore, procurement guidelines had not been followed for this project from preparation of estimates to completion of the project.</p>	<p>The further activities will be reported according to the instructions of the committee appointed by the Chief Ministry.</p>	<p>Those responsible for the damage caused to the government should be identified, and appropriate actions should be taken against them.</p>

- | | | |
|---|--|--|
| <p>(ii) Although a central air conditioning system was installed at Balapitiya Base Hospital on 20 June 2016, at a cost of Rs. 7,678,179, it has had defects since the date of installation and was completely out of order by 03 December 2017. Accordingly, 22 Split AC machines had been installed at a cost of Rs.4,365,980 to maintain the operating theaters in the two hospitals and the parties responsible for the failure of these projects had not been identified and the loss to the government had not been recovered even up to the date of audit.</p> | <p>The further activities will be reported according to the instructions of the committee appointed by the Chief Ministry.</p> | <p>Those responsible for the damage caused to the government should be identified, and appropriate actions should be taken against them.</p> |
|---|--|--|

(g) Irregular Transactions

Audit Observation

The spray machine operator of the Middeniya Regional Hospital had been issued vacation of the post notice on 13th February 2023 due to his not reporting to work without notice since 07th April 2018. Nevertheless, even after leaving the service, he had been paid salaries of Rs. 2,131,001 from 24 April 2018 to September 2022.

Comment of the Chief Accounting Officer Recommendation

<p>Further steps will be taken in accordance with the recommendations of the preliminary investigation.</p>	<p>Action should be taken to recover the loss suffered by the Government expeditiously.</p>
---	---

(h) Vehicle Usage

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) Recommendations had been made to the effect that the repair cost amounting to Rs.1,438,168 of an ambulance belonging to Agunukolapalassa Hospital which had met with an accident on 14 October 2017 should be recovered from the driver. As the driver had died on 19 January 2019, the opportunity to recover the relevant damages from the driver by taking action in accordance with the Financial Rules within the prescribed time was missed due to the delay of the officials.</p>	<p>Further steps will be taken in accordance with the recommendations of the investigation committee appointed on 25 November 2023.</p>	<p>Proper measures should be taken timely on the vehicle accidents.</p>
<p>(ii) A vehicle belonging to Walasmulla Base Hospital had met with an accident on 25 June 2021 and no further action had been taken according to the preliminary investigation report dated 10 February 2022. Although the National Insurance Trustee Fund had informed that the payment could be made subject to a maximum of Rs.9,000,000, an amount of Rs.6,312,568 was reimbursed out of the repair cost of Rs.8,890,620 done by a private company. Although the</p>	<p>Steps will be taken in accordance with the recommendations of the preliminary investigation committee appointed on 10 August 2023.</p>	<p>Proper measures should be taken timely on the vehicle accidents.</p>

government had to bear the difference of Rs. 2,578,052, no further action had been taken in this regard.

(I) Unresolved Audit Paragraphs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although the report of the three-member committee appointed in connection with vehicle No. 13 Sri 9506 had been given on 18 July 2022 by the Chief Ministry Secretary's Letter No. SPC/CM/F10/50 and dated 06 April 2021, the 04 recommendations specified in that report had not been implemented even at the time of the audit.	According to the recommendation 4 of the three-member committee report, the Ministry of Health Secretary has been notified to cancel the registration of the vehicle.	Arrangements should be made to complete further actions in accordance with the recommendations of the committee report.

1.5.6 Head 306 - Department of Local Government, of the Southern Province

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

	Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
(i)	Public Administration Circular No. 13/2008 (IV) dated 09 February 2011	Despite informing the Secretaries of Provincial Councils about the limit and type of fuel in the referred circulars, and	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel provisions.

as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014. regardless of the recommendations therein, Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, an officer belonging to a position at the Southern Provincial Department of Local Government was overpaid Rs. 360,297 as a fuel allowance due to exceeding the approved limit, and Rs. 306,297 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023. used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.

- (ii) Sections 172 (8), (9) of the Pradeshiya Sabha Act No. 15 of 1987 Within 14 days from the date of notification of the Auditor General's decision regarding surcharges, the surcharge recipient shall pay the relevant amount to the Local Government Commissioner. If such money has not been paid or no appeal has been made, the Local Government A summary report regarding the current status and the measures taken in relation to the 11 surcharge certificates will be submitted. Action should be taken in accordance with Pradeshiya Sabha Act.

Commissioner should apply to the district court having jurisdiction in the area where the relevant person resides and take measures to recover the relevant amount. However, no action had been taken according to those terms regarding 11 surcharge certificates with a value of Rs.8,649,112 issued by the Auditor General on various occasions, even by the end of the year under review.

(b) Management Inefficiencies

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

(i) An approved, permanent security guard had been employed for the protection of the Matara District Local Government Assistant Commissioner's Office and a sum of Rs. 416,413 was paid from January to October 2023 to a private company to get the service from a private company for security purposes during the employee's leave. The following matters were observed during the examination in this regard.

(a) The guard from the private company had been employed continuously for more than 24

Due to the fact that there was only one guard on duty and he could not cover these periods alone, private

Action should be taken in accordance with Labour Laws and Rules.

hours, contrary to the conditions specified in the report provided by the Deputy Labor Commissioner regarding the procurement of private security services. Accordingly, private security services were used without considering the utilization of a permanent guard. security services had to be obtained to provide security for the Matara Local Government Assistant Commissioner's Office. In such occasions, it has not been possible to pay attention to the 12-hour limit of a continuous shift given the Deputy Labor Commissioner and the reasons for not being able to include that clause in the contract, as the audit has shown, one employee in shifts of more than 12 hours has been deployed. In such cases, the private security service has been informed to transfer employees. As the permanent guard expressed his reluctance to work under overtime, he was employed for 06 days under the shift system of 08 hours a day and he was not paid overtime during the entire period related to audit observation.

- (b) According to the Assistant Commissioner of Local Government's letter No. Mara/ACLG/CLO 01/2022 dated 29 August 2022, the duty shifts of the permanent guard had been revised from 4.00 pm to 8.00 am on Mondays, Wednesdays and Fridays. Contrary to Section (II) and Section (V) of the Public The permanent guard has been assigned duties to work 06 days a week under a shift system of 08 hours per day Action should be taken in accordance with Labour Laws and Rules.

Administration Circular No. 29/2017 dated 28 November 2017, in the revision of the guard's duty shift, one work shift was considered to be 08 hours and 16 hours per day, the work shifts had been revised only for 03 days of the week, covering Monday, Wednesday and Friday.

- (c) Further, in cases where public holidays occurred on Monday, Wednesday and Friday, when assignments were made to the guard as work shifts, he had been given leave without considering it as a normal duty day and private security officer had been employed in day and night shifts for those days, contrary to Section 02 (I) of Public Administration Circular No. 29/2017 dated 28 November 2017.
- It was observed that on certain public holidays, without reporting the permanent guard for duty, the private security service officer had been called to duty instead. Accordingly, arrangements have been made to set off the personal leave of the permanent guard for the days he has not reported to work on those public holidays.
- Action should be taken in accordance with circular provisions.
- (d) The permanent security guard of the office had not verified his arrival and departure of the office by using fingerprint scanner as required by the Public Administrative Circular No. 03/2017 dated 19 April 2017.
- An attendance register was maintained relating to the arrival and departure of the permanent security guard and the security employed by the private company as on the date of audit. From 01 January 2024, the fingerprints of the permanent security guard of this office will be entered into the
- Action should be taken in accordance with circular provisions.

office fingerprint scanner to confirm the arrival and departure.

- (ii) Due to the lack of space in the office, a sum of Rs. 2,711,538 had been estimated for renovations including, relocation of the Matara Local Government Assistant Commissioner's office room to the front of the office and an agreement had been signed on 27 October 2023. Despite spending an amount of Rs.5,249,116 for the modernization of the Local Government Assistant Commissioner's Office in the year 2018, indicating that the office premises which were modernized at a cost of Rs. 5,249,116 four years ago are not adequate, action had been taken to renovate it once again in the year 2023 after contracting for Rs. 2,711,538 without complying with the National Budget Circular No. BD/CBP/01/01/04-2022 dated 26 April 2022.
- The prime objectives of this renovation were to establish a front office for the convenience of clients who visit to the institution for submitting public complaints which were unsolved from local government agencies, obtaining information related to the Right to Information Act and getting the construction materials tested from the testing laboratory. The previous Assistant Commissioner's office had to be relocated to a different location as it was difficult to stay there due to the lack of light or ventilation during power outages. Further, it can be verified during the inspection of the bills that all the fixing parts which were removed in carrying out these renovation works have been re-fitted.
- Public expenditure should be managed with proper plan in accordance with circular provisions.

1.5.7 Head 307- Department of Ayurveda of the Southern Province

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
---	---	----------------

Southern Provincial

Financial Rules

(i) Financial Rules 46.1	Liabilities of Rs. 8,048,776 had been incurred in excess of the provisions made for 16 Objectives of the Department of Ayurveda of the Southern Province.	Action will be taken to follow the F.R.46.1 and control these situations in the future.	Action should be taken in accordance with Financial Rules.
--------------------------	---	---	--

(ii) Financial Rules 29.1	Without being complied with the referred Rules, liabilities totaling Rs. 3,415,329 had been incurred in respect of 04 unestimated Objects according to the financial statement of the Southern Provincial Department of Ayurveda during the year under review.	These expenses were included under other Object 1409. According to the financial statement from the year 2024, since the Objects related to each expenditure had been stated separately and since the provisions of the year 2024 had not been allocated to the previous Objects, it had to be included in the liability under the new Objects.	Action should be taken in accordance with Financial Rules.
---------------------------	--	---	--

(b) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>It was observed that there are 16 medical officers belonging to the Southern Province Ayurveda Department who have not completed their post-graduate courses within the stipulated time and the expenditure incurred by the Government for this purpose was Rs. 4,152,500. Although 05 more medical officers had followed courses at the government cost of Rs.900,000 during the year under review, the courses had not been completed by the date of audit on 04 April 2024.</p>	<p>The relevant officials have been advised to complete the courses on the scheduled date and hand over the certificates.</p>	<p>The courses should be completed on the scheduled date and the certificates should be handed over to confirm it.</p>

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

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
<p>(i) Public Administration Circular No. 13/2008 (IV) dated 09 February 2011</p>	<p>Despite informing the Secretaries of Provincial Councils about the limit and type of fuel in the referred circulars, and</p>	<p>Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel provisions.</p>

as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014. regardless of the recommendations therein, Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 06 officers belonging to 04 positions at the Southern Provincial Ministry of Education were overpaid Rs. 2,142,292 as a fuel allowance due to exceeding the approved limit, and Rs. 905,932 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023. used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.

(ii) Ministry of Education Circulars

- | | | | | |
|-----|--|---|--|--|
| (a) | Sections 12.1.2.6.1 and 11.1 of the Circular and Guidelines Manual on Planning and Procurement for School-Based Qualitative, Quantitative and Structural | Contrary to the instructions specified in the circular, the Southern Provincial Ministry of Education had given an amount of Rs. 6,437,000 to two schools belonging to Akurassa Zonal Education Office and Walasmulla Zonal Education Office. | These funds have been given as Rs.5,137,000 for the purchase of equipment for the main hall of MR/Maliduwa Jounior School and as Rs.1,300,000 for the purchase of music instruments, loudspeakers and sports equipment for Middeniya Maha Vidyalaya. | Action should be taken in accordance with circular provisions. |
| | | | Provisions have been approved | |

Development No.
26/2018 dated 22
June 2018

from the Governor's Secretary's expenditure head and the Chief Secretary's expenditure head and these items of equipment have been approved by the Ministry's Procurement Committee taking into consideration the decisions on the prices presented after calling for local bids, and the school has made the purchases based on those decisions.

Although Rs.1,300,000 had been given for HM/Middeniya Maha Vidyalaya, it had been given for 03 different purchases. The School Procurement Committee has not acted beyond the feasible limits.

- (b) Section 10.1 of The referred circular stated
Circular No. that a new current account
07/2013 dated 28 called "School Development
November 2013 Account" should be opened to
deposit all funds and grants
received by the school and the
balances of other bank
accounts should be transferred
and the old bank accounts
should be closed. However,
without following circular
instructions, 372 schools had
deposited a total amount of
Rs.28,771,757 in bank
- Action will be taken to make
corrections following the
necessary adjustments.
- Action should be
taken in
accordance with
circular
provisions.

accounts other than School Development Account. Furthermore, amount of Rs. 1,994,709 received as teachers' salaries in 129 schools had been retained in Teacher's Salary Accounts and action had not been taken to settle it to the Provincial Treasury.

- | | | | | |
|-------|--|---|--|--|
| (iii) | Treasury Secretary's Circular No. 03/2022 dated 26 April 2022, National Budget Circular No. 08/2022 dated 25 November 2022 and Presidential Secretary's Circular No. PC/SB/Circular/10/2022-2 dated 15 August 2022 | Contrary to the referred circulars, Southern Provincial Ministry of Education had conducted the programme of evaluating the results of Aesthetic subject of the G.C.E. (Ordinary Level) Examination for the year 2020 by spending Rs.4,864,268 on 29 November 2022. Funds from the General Education Modernization Project had been used for this programme contrary to its objectives. | The programme was held on 29 November 2022 on the approval of the Honorable Governor for the overall programme of evaluation of G.E.C./Text 2020 results, and the total cost, including gift vouchers for nearly 1500 teachers and education officers was Rs. 4,864,268. | Action should be taken in accordance with circular provisions. |
|-------|--|---|--|--|

1.5.8.1 Southern Provincial Road Development Authority

(a) Unresolved Audit Paragraphs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
During the auction of the asphalt machine installed in Galagoda work yard at the Southern Provincial Road	The government has not incurred any loss in auctioning this machine and the appraised value	Assets should be properly assessed, and their disposal should be conducted in a manner

Development Authority, the valuation of the machine is Rs.10.5 million that prevents losses to the Government. given by the committee appointed for the valuation task had been Rs.10,400,000, and the machine had been sold for a sum of Rs.21,100,000 at the auction. Accordingly, it was observed that the assessed value was not accurate. Furthermore, the Authority had incurred a loss of Rs.3,274,784 by assessing without taking in to account that 21,782 litres of tar and 4,028 litres of diesel remained in the inside of the machine at the time of the valuation.

1.5.9 Head 309 - Land Commissioner's Department, Southern Province

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.
		Action should be taken in accordance with circular provisions.

31 May 2019 and the approval of the Governor's Paragraph 2.1.3 (ii) Letter No. G/SP/1/6/1/19 dated of National Budget 13 May 2019, overriding Circular No. circular provisions regarding 01/2014 dated 02 the national policies on public expenditure management. January 2014. Accordingly, an officer belonging to a position at the Land Commissioner's Department, Southern Province was overpaid Rs. 407,960 as a fuel allowance due to exceeding the approved limit, and Rs. 126,435 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

1.5.10 Head 310 - Department of Education, Southern Province

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

	Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Accounting Officer	Chief Recommendation
(i)	Financial Rules 46.1 and 46.2.1	Liabilities of Rs. 35,591,084 had been incurred in excess of the provisions made for 08 Objectives of the Department of Education of the Southern Province.	Action will be taken to follow the F.R.46.1 and control these situations in the future. Action should be taken in accordance with Financial Rules.

- (ii) Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.
- Despite informing the Secretaries of Provincial Councils about the limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 09 officers belonging to 04 positions at the Department of Education of Southern Province were overpaid Rs. 1,125,715 as a fuel allowance due to exceeding the approved limit, and Rs. 478,931 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.
- Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.
- Action should be taken in accordance with circular provisions.

(b) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) By the Letter No. දළ/ස/අඉම/ 12/01/47 dated 02 December 2021 of	Due to the disputable situation of the playground land of the	Constructions should be carried out following a

the Assistant Secretary (Administration) of the Ministry of Education, Land and Land Development, the Southern Provincial Education Director had been informed that an outside party was using the playground in HM/Ranna Maha Vidyalaya without permission. Although more than 02 years had passed, no action had been taken in this regard. Due to the loss of the playground, the Ministry of Disaster and Management had given Rs.1,487,683 to the School Development Society in 2014 to develop another part of the school's land as a playground for the students of the school to play. The amount incurred had become a fruitless expenditure as at the date of audit due to redevelopment of the portion of land developed as a sports ground without feasibility study.

school, the middle yard has been used for playing games. Access roads are planted with grass to prevent mudslides and erosion during rainy days.

feasibility study.

- (ii) Payment vouchers had not been prepared in respect of payments worth Rs.953,620 made on 111 occasions in G/Kaikawala Sri Revatha Junior School and receipts for the receipts amounting to Rs.56,720 had also not been issued in accordance with Section 16.3 of the Education Ministry Secretary's Circular No. 26/2018.

Having recommended to conduct a preliminary investigation in this regard it has been referred to me. Further action thereon will be taken in the future.

Necessary measures should be taken by conducting a preliminary investigation expeditiously.

- (iii) An amount of Rs. 1,330,000 had been collected from female students admitted to the first grade of G/President's Girls College during March, April, and May 2022 for the construction of a new building, without the approval of the Zonal Director of Education and proposal approval from the School Development Committee.
- Due to the covid epidemic and the fuel crisis, the school was not held continuously in the year 2022 and the approval of the school development society has been obtained through zoom technology. With the knowledge of the Principal of the G/President's College this matter has been informed by the letter of the Galle Zonal Director of Education under the new construction and requirements.
- Funds should be collected on a formal approval.
- (iv) In the admission of students to the Grade 12 in 2023, 62 female students had been admitted and between Rs. 25,000 and Rs. 30,000 had been taken from each student. Relevant money had not been credited to the School Development Account, and as per the instructions of the principal, the money had been credited to another account.
- In the year 2022, the parents of female students admitted to grade 12 from other schools had credited Rs. 1,710,000 to the account of the Old Girls Association. It has been informed that this amount includes the facility and service charges for 2 years, the materials required for the school uniform and the expenses of printing and providing all the question papers in the future. Accordingly, Rs. 200,000 out of the money deposited in the Old Girls Account has been credited to the school development society account and 2 years of facility and service fees have been credited to the school's Facility
- All funds collected with formal approval should be credited to the School Development Fund.

and Service Fee Account and the receipts have been given to the students

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

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
<p>Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.</p>	<p>Despite informing the Secretaries of Provincial Councils about the limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, an officer belonging to a position at the Southern Provincial Ministry</p>	<p>Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.</p> <p>Action should be taken in accordance with circular provisions.</p>

of Fisheries was overpaid Rs. 940,010 as a fuel allowance due to exceeding the approved limit, and Rs. 275,230 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

1.5.12 Head 312 – Southern Provincial Department of Animal Production and Health

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions		Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019.	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 03 officers	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

belonging to 02 positions at the Southern Provincial Department of Animal Production and Health were overpaid Rs. 360,860 as a fuel allowance due to exceeding the approved limit.

1.5.13 Head 313 - Southern Provincial Department of Industrial Development

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management.	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles. Action should be taken in accordance with circular provisions.

Accordingly, an officers belonging to a position at the Southern Provincial Department of Industrial Development was overpaid Rs. 64,400 as a fuel allowance due to exceeding the approved limit, and Rs. 2,125 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

(b) Operating Inefficiencies

Audit Observation

Although the Ruhunu Ransalu outlets belonging to the Industrial Development Department sold items on credit basis to settle the payment in 06 months in carrying its sales, a credit balance of Rs.25,822,756 remained receivable as on 31 December of the year under review from the sales on credit made in Matara, Galle and Hambantota districts from the year 2017 to 31 December 2023.

**Comment of the Chief Recommendation
Accounting Officer**

Action has been taken to recover credit balance of Rs. 1,969,264 during the period from 01 January to 31 March 2024.

Action should be taken to recover the credit balances.

(c) Transactions of Contentious Nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>In order to fill the wastewater disposal pits in the Kurunduwatta Color Laboratory of the Southern Province Industrial Development Department, a sum of Rs.45,500 had been paid on 29 December 2023 for the cutting soil from the nearby soil bund using a backhoe based on the approval received from the head of the institution. During the on-site inspection in this regard 16 on February 2024, it was observed that soil was cut by a backhoe machine and removed from the institution premises by a tipper. It was observed during the subsequent inspection according to CCTV footage that 75 soil tippers were removed using 02 tippers on 14, 15 and 16 February 2024. No written approval or permission had been obtained to remove the soil and the government had lost Rs.300,000 worth of the soil.</p>	<p>A request has been made from the Secretary of the Ministry of Fisheries to make necessary arrangements to conduct a preliminary investigation regarding the loss caused to the Government and the persons responsible for the same, and further action will be taken according to the report.</p>	<p>Action should be taken to identify the responsible parties and recover the loss.</p>

(d) Identified Losses

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>The jeep owned by the Department of Industrial Development had met with an accident on 05 March 2020 and it had been repaired subsequently. An amount of Rs. 847,700 had been paid on 03 December 2020 the private company that</p>	<p>It is stated that an amount of Rs.847,000 was paid to Anura Motors for the repair of the vehicle. According to Provincial Finance Rule 54.6, the report of the preliminary investigation was</p>	<p>Action should be taken in accordance with Financial Rules.</p>

carried out the repair. Although more than 03 years have passed since the accident of this vehicle, a formal full report had not been submitted and had not been taken according to the financial rules regarding the loss of Rs.847,700.

given to the Department on 29 December 2023, and it recommended to charge 25 per cent of the cost of the vehicle repair and 25 percent of the department fees to the driver and write off 75% of the loss from the book. However, sine a preliminary inquiry has been observed in this regard, requests have been made for it.

(e) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) Since the yarn dyeing work had been discontinued in the Matara colour laboratory belonging to the Industrial Development Department, the yarn dyeing machine costing Rs.1,390,000 remained completely idle for almost a year. Furthermore, a yarn drying machine had been installed at a cost of Rs. 750,000 in the year 2020 for the purpose of drying the yarn in the Matara colour laboratory and the machine remained totally idle since the day of its installation. As these machines had been purchased without proper evaluation and study, the entire cost had become fruitless.</p>	<p>It is expected to repair the machines through a technically and cost effective method to use these machines effectively and to resume the production work in the year 2024.</p>	<p>Action should be taken to repair and use these machines.</p>

- (ii) A jeep with an assessed value of Rs. 7,945,730, owned by the Department of Industrial Development, had been parked at the Dakshinpaya premises without use since May 2022 due to worn tires and insufficient departmental funds for repairs, and the jeep was decaying at the premises.
- Due to the vehicle's frequent need for repairs and high maintenance costs, coupled with the Department's limited provisions, requests have been made to the Chief Secretary to get the vehicle to the Chief Secretary's office.
- Action should be taken either to repair and put to use or, otherwise, hand over to an institution that can use it.

1.5.14 Head 314 - Southern Province Ministry of Agriculture, Agrarian Development, Irrigation, Water Supply and Drainage, Trade, Food Supply and Distribution and Cooperative Development.

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Chief Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

Circular No. 01/2014 dated 02 January 2014. policies on public expenditure management. Accordingly, an officer belonging to a position at the Southern Provincial Ministry of Agriculture was overpaid Rs. 915,760 as a fuel allowance due to exceeding the approved limit, and Rs. 150,620 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

1.5.15 Head 315 - Southern Provincial Department of Agriculture

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019.	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to 02 positions at the Southern Provincial Department of Agriculture were overpaid Rs. 50,840 as a fuel allowance due to exceeding the approved limit for the period from May 2019 to June 2023.

(b) Uneconomic Transactions

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

Even though the Southern Provincial Department of Agriculture had established an information management system at a cost of Rs. 14,955,094 from the year 2016 to October 2022, due to the withdrawal of the Agricultural Instructors of the Department from the work, expected objectives could not be achieved. A sum of Rs. 2,614,541 had been paid for the SIM cards obtained to get internet facilities for the information management system from 2017 to October 2023. All these SIM cards had been disconnected on 29 July 2018 and provided only to the staff officers since May 2019 and paid

Although payments were made only for the SIM cards of the staff officers from May 2019, the relevant institutions were notified to disconnect all the SIM cards from 01 April 2024. Accordingly, no payment is made for internet facilities by now.

Necessary steps should be taken to achieve the objectives for which expenses were incurred.

Rs.842,326 for them. Nevertheless, it was not observed that these SIM cards were used for related duties. Furthermore, the Department had not maintained sufficient information about the current ownership and operation of the 225 tab computers that were provided at a cost of Rs.8,780,450 for the implementation of the information management system.

(d) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Due to the lack of repairs on machines at the Poddiwala farm, assets valued at Rs. 1,169,236 have remained underutilized.	The list of underutilized equipment in the farm mentioned by the audit was submitted to the Industrial Development Authority and the prices related to the repair of the equipment have been submitted by the relevant institutions. Accordingly, it is expected to evaluate the cost-effectiveness of repairing the equipment and to take appropriate action based on the relevant recommendations, whether that involves proceeding with repairs or pursuing other appropriate measures.	Necessary measures should be taken to increase the production capacity by using the resources of the farm with maximum efficiency.

1.5.16 Head 316 - Southern Provincial Department of Irrigation

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Chief Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to a position at the Southern Provincial Department of Irrigation were overpaid Rs. 311,150 as a fuel allowance due to exceeding the approved limit, and Rs. 259,480 was paid for using Super Petrol/Super	Action should be taken in accordance with circular provisions.

Diesel for the period from
May 2019 to June 2023.

(b) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) After preparing estimates of Rs.8,188,000 and Rs.11,016,000 for the construction of gabion wall at Mulatiyana Gamagewatta Dam and the construction of Ratmalawa Dam in the jurisdiction of Southern Provincial Irrigation Department Matara District Office, the procurement notices had been published in newspapers on 05 March 2024. Although the issuance of bid documents was scheduled to occur from the district office and head office of the Irrigation Department between 05 March and 25, 2024, construction materials, including 355 cubic meters of stones and 34 cubic meters of ABC, had been transported and stockpiled at the work site before the publication of the procurement notice. Despite the management's awareness of this, necessary measures had not been taken to deal with the incident legally. Further, the audit could not be satisfied with the transparency of the procurement for the project due to this reason.	On 17 March 2024, we learned through a phone call that stones had been brought to and piled at the intended construction site, of which we were previously unaware. The raw materials had been stockpiled on paddy lands belonging to the personal rights of the farmers in the area near the work site and it was not possible to take legal action since it was not part of the irrigation reserve.	Action should be taken in accordance with Procurement Guidelines.

(c) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>The Southern Provincial Department of Irrigation had purchased a machine worth Rs. 84 million to remove invasive aquatic plants from 905 gazetted tanks and restore them. Although 587 days had passed on 14 September 2023, the machine had been used for only 414 hours in 353 days from 02 February 2022 to 14 September 2023. Furthermore, although the machine was intended for the renovation of 06 tanks, only 03 were renovated, leaving the machine idle for 234 days. Of these, 199 days were spent on repairs, confirming that the importing company was not providing adequate services and repairs. Conducting a feasibility study and identifying needs before purchase could have prevented this kind of idle expenditure.</p>	<p>This machine was purchased following the intervention of a group of experts who studied the practical performance of an equivalent machine in Sri Lanka. Considering the future allocations to the Southern Provincial Irrigation Department and local needs, invasive aquatic plants are to be removed from a large number of lakes.</p>	<p>The machine should be utilized effectively.</p>

1.5.17 Head 317- Department of Cooperative Development of the Southern Province

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to a position at the Cooperative Development of the Southern Province were overpaid Rs. 517,370 as a fuel allowance due to exceeding the approved limit, and Rs. 126,000 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles. Action should be taken in accordance with circular provisions.

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Chief Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to a position at the Southern Provincial Ministry of Sports were overpaid Rs. 830,320 as a fuel allowance due to exceeding the approved limit, and Rs. 142,360 was paid for using Super	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

Petrol/Super Diesel for the period from May 2019 to June 2023.

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Chief Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Secretaries of Provincial Councils about the limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to a position at the Department of Social Welfare, Probation and Child Care Services of Southern Province were overpaid Rs. 524,379 as	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

a fuel allowance due to exceeding the approved limit, and Rs. 342,392 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

1.5.20 Head 320 - Chief Secretariat of Southern Province

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Recommendation
(i) Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Chief Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 18 officers belonging to 09 positions at the Chief Secretariat of Southern Province were overpaid Rs. 5,898,575 as a	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles. Action should be taken in accordance with circular provisions.

fuel allowance due to exceeding the approved limit, and Rs. 2,868,650 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

- (ii) Asset Management Circular No. 11/2022 dated 16 September 2022
- The ownership of 40 vehicles belonging to the Southern Provincial Council which had been disposed of as scrap materials was still in the government registered name even as at the end of the year under review and 03 of such vehicles had been subsequently registered in a private name and obtained revenue licenses until the year under review.
- By the Letters No. CSS/03/09/09 dated 20 September 2023 and 20/2023 dated 23 November 2023, the Department of Motor Traffic and the Provincial Department of Motor Traffic have been informed about non-cancellation of the registration of these vehicles.
- Action should be taken in accordance with circular provisions.
- (iii) Asset Management Circular No. 05/2020 dated 02 October 2020
- Thirty-four vehicles and motorcycles belonging to 09 institutions of the Southern Provincial Council, which were in a condemned state, as well as 02 vehicles with unidentified ownership that were parked and decaying in the Chief Ministry premises, and 02 vehicles parked in the Kalegana Resource Center, had neither been disposed of nor repaired for use.
- Since only parts of the vehicles remain at present, a special committee will be appointed to assess the situation. Based on the committee's decisions and instructions, a valuation will be established for the vehicle parts, and they will be disposed of accordingly as parts.
- Action should be taken in accordance with circular provisions.

- (iv) Presidential Secretary Instruction Letter No. PS/PCA/DCC/06/26 dated 13 September 2022
- According to the instruction letter, only one official vehicle can be allocated to the chairpersons of the district coordination committee. However, the jeep belonging to the Chief Secretariat was temporarily assigned to the Matara District Secretary on 07 February 2023 while the cab provided to the chairman of the Matara District Coordination Committee was undergoing repairs. Although the repairs were completed in March 2023, as of the date of this report, the necessary arrangements had not been made to return the jeep to the Chief Secretariat.
- The jeep was provided to the Chairman of the Matara District Coordinating Committee, with the agreement of the Matara District Secretary, following the directive of the Honorable Governor of the Southern Province. Since the final agreement is valid until 06 May 2024, the Matara District Secretary has been informed by letter CSS/03/10/11, dated 19 April 2024, to return it to the office thereafter.
- Action should be taken in accordance with circular provisions.

(b) Assets Management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to Southern Province Stamp Duty Statute No. 01 of 1994, Southern Province Finance Statute No. 07 of 1990 and Southern Provincial Council Finance (Amendment) Statute No. 02 of 1992, in the event that the provincial council has charged a certain stamp duty for any Grant regarding the	According to Imposing stamp duty statute No. 04 of 1994 and Court fines and imposing fines statute No. 05 of 1994, the stamp duty and court fine will be credited to the provincial fund within 02 years and the said court fine and stamp duty will be paid and settled upon the	While taking actions in accordance with the Southern Provincial Finance Charter No. 07 of 1990, the stamp duty revenue should be transferred to the relevant local authorities.

transfer of a certain immovable property located within the administrative limits of a local government body in the southern province, and has paid it to the southern local government fund, the said stamp duty can be transfer to the respective local government authority when a claim is presented in writing from the minister in charge of the subject within a period of 2 years from the 31st of December of the year in which the stamp duty was collected by the provincial council to the relevant local government authority. Nevertheless, the stamp duty revenue that was not transferred to local government authorities by the Treasury of the Provincial Council was Rs.681.79 million as at 31 December of the year under review. Furthermore, stamp duty income of Rs. 1,500 million had been invested in the fixed deposits of the provincial treasury.

written order of the minister in charge of the subject of finance or the Governor. Accordingly, the stamp duty balance and the court fine balance as at 31 December 2023 are Rs.681,794,410.72 and Rs. 11,201,339, respectively. Therefore, the value of Rs.2,795,993,077 pointed out by the audit as of 31 December 2023 is not correct and accordingly, there has been no delay in the settlement of these stamp duties by the Southern Provincial Treasury of the Chief Secretariat.

(c) Managemnt Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The Toyota Landcrusher Prado Jeep belonging to the Southern Provincial Chief Secretariat, which was used as the official vehicle by the Chairman	According to the decision of the committee appointed regarding the jeep, a qualified mechanical engineer will verify whether 50	The vehicles should be repaired within the prescribed time and used effectively for service.

of the Southern Provincial Council from 2006 to 2016, had been returned to the Chief Secretariat on 06 June 2016 and a year later, it had been handed over to a private garage for a repair. Upon the recommendations given by the Mechanical Engineer on 06 July 2017 to carry out the repairs, after calling for quotations according to the letter of the Deputy Chief Secretary (Admin) dated 10 July 2017, the vehicle had been directed for repairs at an amount of Rs.1,099,005 to the private garage that had submitted the lowest prices for the repairs. However, since the vehicle had been parked in the garage of a private institute without undergoing repairs for 2 ½ years, or 912 days, the vehicle had to be repaired at a high cost.

- | | | |
|--|--|--|
| <p>(ii) Allocation of funds for an unessential and non-functional programmes</p> | <p>Since it is uncertain when the provincial councils will operate, it is necessary for each ministry to allocate funds annually for the office of provincial council ministers.</p> | <p>Arrangements should be made to allocate token provisions for Objects that are not currently implemented but may require funding if implemented in the future.</p> |
| <p>In accordance with Financial Rule 27.1, it is not necessary to allocate provisions through the annual financial statement in case the date on which a new Provincial Council is convened by the Governor or the date on which it resumes its work has not been announced.</p> | | |

Nevertheless, for the year under review, allocations had been reserved for the 05 ministries of the Southern Provincial Council in the 2021 annual financial statement without making token allocations for ministerial office expenses. Accordingly, despite national budget circulars limiting public expenditure, funds had been allocated for non-essential and non-functional programs, and expenses had been subsequently incurred from those provisions.

- (iii) With the objective of generating renewable solar energy and adding 50 MW of electricity capacity to the national grid, and identifying a new source of income for the Provincial Council, the Southern Provincial Council selected a private company and entered into an agreement on 22 April 2022 for generating electricity by leasing the roofs of schools, hospitals, and government buildings within the Provincial Council on a long-term basis for 20 years. The following matters were observed in this regard.

- (a) Guideline 2.7.4 and 2.8.1 (b) of the Government Procurement Guidelines had not been followed. According to Guideline 2.8.1, as the Technical Evaluation Committee makes recommendations to the Procurement Committee for taking the procurement decision on the selection of the relevant agency, Mr. J.G Janath, an experienced electrical engineer from the Southern Province Engineering Services Institute and a senior engineer in the field of electrical engineering has been appointed as a committee member. Since it is a service supply under a public and private partnership, the procurement guidelines should be followed.
- (b) Allowances should be paid to the relevant committees according to Guideline 2.9.1 of the Procurement Guidelines. However, based on the scale of the procurement and the contributions made, a total of Rs. 640,000 had been paid to the procurement and technical committees with the Governor's approval. In the letter submitted to obtain the Governor's approval for the payment, there was an omission regarding the scale of the procurement, the contributions made, and their monetary value. Measures will be taken to ensure such errors do not occur in future approval requests for such payments. Action should be taken in accordance with Procurement Guidelines.

(d) Irregular Transactions

Audit Observation

The physical presence of 201 vehicles, including 178 vehicles and motorcycles registered in the Motor Transport Department under the Southern Provincial Council institutions, 07 vehicles listed by the institutions, and 04 vehicles and motorcycles accounted for in the financial statements, could not be verified. The matter had not been examined or legally addressed. Free revenue licenses had been given on several occasions for 30 of above motorcycles whose physical existence was not confirmed and registered in the name of Southern Province, Local Government Commissioner. In obtaining revenue permits, fees should be waived by submitting the D.M.T.2 form with the signature of the head of department or local authority to the Motor Traffic Department. Accordingly, the audit did not confirm as to how the free revenue licenses were obtained without verifying the ownership and physical existence of the vehicles.

Comment of the Chief Accounting Officer

These motorcycles were provided to public representatives of local government authorities by the Chief Ministry, with only the installments being recovered from the respective authorities. The Ministry has provided us with a list of names for distributing these motorcycles. According to the register, the motorcycles were registered in 2011 and 2012, and they were distributed to public representatives of local government authorities in 2011 and 2012.

Recommendation

Necessary steps should be taken to conduct a special investigation.

(e) Deficiencies in the Contract Administration

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Construction of side wall of Chief Secretariat		
(a) The contract for the construction of the front side wall of the Chief Secretariat had been awarded to a private firm at a tax-free price of Rs.37,362,532, which consisted of an amount of Rs.44,087,000, including tax of Rs.2,989,002 and of Rs.3,735,465. Even though the first phase of the work was to be completed on 31 March 2021, in a period of 240 days, dates had been extended on two occasions. However, while the construction was ongoing, it had been stopped from 02 August 2022, and	Due to hyperinflation, market shortages, the oil crisis, and the economic crisis in the country, the contract for the construction of the side wall, initially signed for a total cost estimate of Rs. 37,362,532 excluding VAT, was terminated based on a procurement decision. The Chief Secretary (Finance) Circular No. 03/2022, issued on 24th May 2022, provided the necessary authority to terminate the contract and proceed with re-procurement activities. Accordingly, after re-procuring the construction of the side wall (remaining work) and starting the work, the second contract was completed on 31st March 2023.	Necessary steps should be taken to conduct a special investigation.

considering the remaining works of the industry as the second phase, it had been assigned to the same private company as a new contract at a tax-free price of Rs.34,368,110. Its total cost was Rs. 45,365,499, including Rs.4,124,173 for taxes, Rs.3,436,811 for contingent provision (10 per cent) and Rs.3,436,405 for price increase (10 per cent). Although the work was scheduled start on 10 September 2022 and complete by 20 December 2022, it had been completed by 31 March 2023 with extensions on 03 occasions.

- (b) Total payment of Rs. 59,816,537, including Rs.30,060,799 in 08 bills including advance money for the first phase and Rs.29,755,738 in 04 bills for the second contract. As stated in the second paragraph, the contractor had been paid Rs.30,060,798 in 08 bills for the first contract and Rs.29,755,737 in 04 bills for the second contract. Nevertheless, a comparative report of a committee consisting of 03 members should be taken to conduct a special investigation.

bills including advance money for the second phase of the industry had been paid to the contractor. It is observed that an amount of Rs.16,326,201 (Rs.7,135,820 and Rs.9,190,319 in case of second) has been overpaid to the contractor (excluding final bill of phase two) which is observed to be Rs.18,775,131 (16,326,201*1.15) inclusive of taxes. Furthermore, it is observed that advance of Rs. 11,398,346 payable to the contractor had been paid before the due date and Rs.10,507,510 of which has flown due to not incorrect preparation of estimates.

- (c) Although there was an amount of Rs. 5,264,418 as liabilities for the construction of In recognition of liabilities, inclusion of an additional amount of Rs.5,264,418 in liabilities has been accepted. As the final bill of Necessary steps should be taken to conduct a special investigation.

the side wall, liabilities of Rs. 25,581,761 had been identified according to the answer. Nevertheless, according to the final bill, instead of paying to the contractor, a sum of Rs. 1,811,259 had been stated as recoverable from the contractor, so it is observed that Rs. 25,587,761, which was created based on wrong estimates, is an uncreatable liability.

the contract had not been submitted at the time of identifying the liabilities, there was no confirmation that there was a charge from the contractor. That the estimate here is not a wrong estimate, but the work parts in the estimate could not be carried out due to the construction of a part of the side wall along with the access road of the land by an adjacent private land owner, and the existence of a recovery in the final bill due to the remaining part of the work, was not based on a wrong estimate. A charge in the final bill occurred due to the adjustment of price variations in the final bill and the construction of an adjacent portion of the side wall by a private landowner.

(f) Unresolved Audit Paragraphs

Audit Observation

Without preparing a project report and based on a proposal by the Honorable Governor, a contract had been signed with a company 07 on October 2020, for Rs. 14,008,176 to develop a mail management computer programme integrating all government agencies in the Southern Province. Despite

Comment of the Chief Accounting Officer

In order to develop the system appropriately for the provincial council, the codes related to the system have been requested in writing from the relevant institution, and after receiving the codes, action will be taken to improve the system.

Recommendation

Before implementing projects, feasibility study should be conducted and action should be taken accordingly. Similarly, necessary measures should be taken to develop information system effectively.

spending Rs. 27,984,663 on this project in 2021, the work was not completed within the agreed timeline. Additionally, 86 scanners had been purchased for Rs. 21,140,000, and 70 of them were distributed to the institutions expected to implement the project on December 22 and 23, 2022. However, the project was not implemented by the end of the review year. As a result, the machines could not be used effectively, and the project objectives were not achieved.

1.5.21 Head 321 - Southern Provincial Planning Secretariat

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Chief Recommendation	
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

Paragraph 2.1.3 (ii) Letter No. G/SP/1/6/1/19 dated of National Budget 13 May 2019, overriding Circular No. 01/2014 dated 02 January 2014. circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to 02 positions at the Southern Provincial Planning Secretariat were overpaid Rs. 1,293,465 as a fuel allowance due to exceeding the approved limit, and Rs. 560,830 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

1.5.22 Head 322 - Southern Provincial Office of Engineering Services

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Chief Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of National Budget Circular No. 01/2014 dated 02 January 2014.	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated 16 May 2019 was issued upon the approval of the Governor's	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the vehicles.	Action should be taken in accordance with circular provisions.

Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 03 officers belonging to 03 positions at the Southern Provincial Office of Engineering Services were overpaid Rs. 1,290,175 as a fuel allowance due to exceeding the approved limit, and Rs. 178,560 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

1.5.23 Head 323 - Internal Audit Department of Southern Province

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Chief Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31 May 2019 and Paragraph 2.1.3 (ii) of	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the Chief Secretary's Circular (Finance) No. 02-2019 dated	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances have been paid based on the actual fuel type used for the	Action should be taken in accordance with circular provisions.

National Budget Circular No. 01/2014 dated 02 January 2014. 16 May 2019 was issued upon the approval of the Governor's Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, an officer belonging to a positions at the Internal Audit Department of Southern Province was overpaid Rs. 83,300 as a fuel allowance due to exceeding the approved limit, and Rs. 29,025 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023. vehicles.

1.5.24 Head 324 - Provincial Revenue Department of Southern Province

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No. 13/2008 (IV) dated 09 February 2011 as amended by Public Administration Circular No. 13/2008(V) dated 31	Despite informing the Secretaries of Provincial Councils about the approved limit and type of fuel in the referred circulars, and regardless of the recommendations therein, the	Fuel allowance was not paid on two different bases by categorizing officers. Instead, two categories have been identified according to the types of fuel used in the vehicles by the officers. Accordingly, allowances	Action should be taken in accordance with circular provisions.

May 2019 and Chief Secretary's Circular have been paid based on the Paragraph 2.1.3 (ii) of (Finance) No. 02-2019 dated actual fuel type used for the National Budget 16 May 2019 was issued upon vehicles. Circular No. 01/2014 the approval of the Governor's dated 02 January 2014. Letter No. G/SP/1/6/1/19 dated 13 May 2019, overriding circular provisions regarding the national policies on public expenditure management. Accordingly, 02 officers belonging to a positions at the Provincial Revenue Department of Southern Province were overpaid Rs. 295,908 as a fuel allowance due to exceeding the approved limit, and Rs. 237,668 was paid for using Super Petrol/Super Diesel for the period from May 2019 to June 2023.

(b) Operating Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) In accordance with Provincial Finance Rule 116.1, the revenue collection officers should be attentive and very careful about the recovery of arrears of revenue and should take measures to recover the arrears through legal or other means. Nevertheless, the total outstanding</p>	<p>In order to collect the arrears of revenue, legal actions and other actions are being taken in accordance with the Southern Province Finance Statute No. 07 of 1990.</p>	<p>Actions should be taken to recover arrears and legal action should be taken for uncollectible revenues.</p>

amount to be recovered relating to 04 revenue codes was Rs. 375.6 million at the end of the reviewed year and there was an outstanding revenue of Rs. 203.96 million older than 03 years in the above amount.

- (ii) In accordance with Financial Statute No. 7 of 1990 of the Southern Provincial Council, in case the prescribed stamp duty has not been paid for the second copies of deeds to be written and certified by Notaries Public, the outstanding stamp duty and fines must be collected. Although the Provincial Revenue Regional Office had received the information of 2784 deeds amounting to Rs. 9,560,841,078 from the Matara Land Registrar's Office on 24th February 2023, related to 08 months from August 2021 to April 2022, no action had been take to open files and take further action even by 27 November 2023.
- (iii) Ommision of stamp duties due to failure in opening files
- (a) Schedules related to 7481 deeds with values of more than Rs.500,000 related to 19 months from May 2018 to August 2020 had been
- Information of 2784 deeds relating to 08 months from August 2021 to April 2022 has been received by the Matara office on 24.02.2023 and 1023 of them have been copied by 31 March 2024.
- Necessary arrangements should be made to collet revenue to the Provincial Council.
- Each assessor can handle a maximum of around 500 files only in a year including other duties assigned. Accordingly, the maximum number of files that
- Necessary arrangements should be made to collet revenue to the Provincial Council.

submitted to the Provincial Revenue Office on 30 July 2020 and on 07 April 2021 and 23 September 2021 from the Matara Land Registrar's Office. Of these deeds, files had been opened for 2327 deeds from 01 January to 24 November 2023, and files had not been opened for 5154 deeds that should be prioritized by identifying the type of deeds.

can be opened for the entire department is 9,950. Accordingly, department has fulfilled 100 percent of the maximum. Under this circumstance, a selection of deeds received on a logical basis will be made and the files will be opened.

- (b) Furthermore, based on the schedule containing details of 1934 deeds with a value of more than Rs.500,000 sent from the Matara Land Registrar's Office for the months of May, July, August, September and December 2018, 579 files had been opened for the stamp duty work from 01 January 2023 to 29 November 2023. Nevertheless, it was observed during the inspection of the schedule related to those months that since files had not been opened for 1355 deeds worth Rs. 2,289,318,710 by

- Do-

- Do-

identifying the types of the deeds, it had led to omission from the stamp duty task.

- (c) The total number of deeds registered in the year 2021 on the Stamp Duty Schedule of the Tangalle Land Registrar's Office was 5938 and the value of the deeds was Rs.5,091,239,200. Of these, the number of deeds with value of Rs.500,000 and above was 2360 and its value was Rs.3,456,952,100. However, out of the deeds with a value of more than Rs.500,000, the Provincial Revenue Offices had opened files for stamp duty purposes only for 232 deeds.
- The land registrar offices of Hambantota district do not send monthly schedules and the Land Registrars have been informed about this matter from time to time. Files have thus far been opened on the information recorded by the officials of the Hambantota office who visit to the Land Registrar's Offices to get such details. Due to the completion of the number of approved assessors (03), 1500 files per year were opened from the year 2023. Due to the lack of facilities to give priority based on the value, files have been opened only for a very small number of deeds with a value of more than Rs.500,000 in the Tangalle Land Registrar's Office.
- Necessary arrangements should be made to collect revenue to the Provincial Council.
- (iv) Omission of stamp duty for registration of deeds related to land transfer in Matara district by Notaries Public in outside of the provinces. During the course of audit test check conducted at the Matara Land Registrar's Office on 27 November 2023, the audit date, regarding the registrations of deeds related to land
- The Deputy Commissioner has informed the Matara Land Registrar in writing on 18 January 2024 to provide copies of the relevant deeds in order to take action on other 16 deeds. The Land and District Registrar of the Matara Land Registrar Office has informed the Deputy
- Necessary arrangements should be made to collect revenue to the Provincial Council.

transfers in Matara district by Notaries Public of provinces other than Southern Province, information was observed in relation to 18 cases of land transfers worth Rs. 54,897,017 during the period from the year 2020 to the year 2023. Of these, outstanding stamp duty should be recovered by obtaining information, opening files, checking whether the stamp duty has been properly paid related to 16 deeds.

Commissioner of Matara in writing on 23 January 2024 that the second copies of the deeds certified by the Notaries Public of other provinces have not been provided to the Matara Land Registrar Office. Accordingly, the land offices of the areas of authority belonging to those Notaries Public have been informed in writing to provide the second copies of the deeds related to each property. Further action will be taken upon the receipt of such information.

- (v) Issuance of opinion certificates on transfer of property

In the transfer of property belonging to a private institution to another private entity, after classifying the tea factory (including land with buildings and plantations) worth Rs.104,000,000 as immovable property and machinery and fixtures worth Rs. 232,000,000 as movable property, vehicles worth Rs.16,000,000 and Rs. 12,000,000 as trading profit and submitting a draft agreement, an application had been submitted to the Provincial Revenue Department on 09 January 2023 to obtain opinion certificates.

The property to be assigned by the draft deed submitted by the applicant together with the application is specified as the tea factory, other buildings, trees and plantations and everything connected therewith as specified in the schedule. Accordingly, we consider the property mentioned in the schedule in granting the opinion certificate and we shall issue the opinion certificate only for the property described in the schedule in the draft submitted with the application. Nevertheless, the property specified in the schedule is also included in the agreement of the

Action should be taken in accordance with Finance Statute 07 of 1990.

Accordingly, the committee draft deed prepared for sale and appointed by the Provincial Revenue purchase. Commissioner to give a statement of opinion had given a certificate of opinion stating that the value of all the properties was Rs.243,000,000 and the stamp duty to be paid was Rs.9,719,000 according to the valuation report given on 31 January 2023. However, disagreeing with that opinion, the applicant had submitted an appeal on 09 February 2023. Accordingly, although an appeal hearing had been held, sine the agreement had not been expressed thereon, notification had been made to complete the stamp duty to be paid as per Section 79 (11) of the above statute within 07 days. The applicant had not complied with it. Accordingly, the unpaid stamp duty amounting to Rs.9,719,000 was observed as defaulted stamp duty as per the Finance Statute.

1.5.25 Head 325 - Department of Motor Traffic of Southern Province

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

Reference to Non-compliance Laws, Rules, Regulations and Management Decisions	Comment of the Chief Accounting Officer	Chief Recommendation
Financial Rule 259.2 and Chief	As per the referred rule, accounts should be settled at this in the future.	Action will be taken to correct this in the future. Action should be taken in

Secretary the end of the year and the
 (Accounts and remaining imprest balance as
 Payments) Circular on the 31 December should be
 No. 03/2023 dated repaid to the Provincial
 02 January 2024 of Treasury on or before the 10th
 Chief Secretary, January of the following year
 Southern Province or such date as may be fixed
 by the Provincial Treasury.
 Nevertheless, no such action
 had been taken in respect of
 imprest balance of Rs. 688,000
 of the Southern Provincial
 Department of Motor Traffic.

accordance with
 Financial Rules.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the result of the operational activities of the Provincial Council Fund for the year ended 31 December of the year under review amounted to a deficit of Rs. 850,674,421, as compared with the corresponding deficit of Rs. 777,611,692 for the preceding year.

3. Statute Accounts/ Fund Accounts/ Commercial Advance Accounts and other Advance Accounts

3.1 Statute Accounts/ Fund Accounts

Audit Observation

Although the provisions made to the
 statuted institutions in the Southern
 Provincial Council should be used to
 fulfill the objectives and functions of
 two institutions, the amount of Rs.
 482,238,726 grated to such institutions
 had been invested in fixed deposits
 without being used for those purposes.

Comment of the Chief Recommendation Accounting Officer

Action will be taken to correct
 this in the future.

Relevant money should be
 used to achieve the
 objectives of the
 institution.

3.2 Other Advance Accounts

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The total balance in the advance accounts of provincial public servants was Rs.1,577,211,969 as on 31 December of the year under review. It included loan balances of Rs. 53,726,173 further remained receivable from 3,609 transferred/retired, deceases, interdicted officers and the officers who vacated the service.	Arrangements are being made to correct this in the future.	Arrangements should be made to recover the outstanding loan balance expeditiously.
(b) There was a difference of Rs. 565,633 between the recoverable loan balance as per the individual balance classification of the Advances to Public Officers B Account of the Tangalle Base Hospital as at 31 December 2023 and the Control Account. Although this difference continued to exist for more than 10 years, no action had been taken to properly identify the reasons for the difference and settle it.	The reasons for the difference between the control account and the individual balance account will be ascertained and corrected in the future.	Accuracy should be ensured in the process of accounting.

4. Operational review

4.1 Performance

4.1.1 Government Grants

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

Source	Amount Approved Rs.	Amount Spent Rs.	Underutilization Rs.
Provincial Specific Development Grants (PSDG)	825,200,000	802,412,669	22,787,331
Criteria Based Grants (CBG)	152,000,000	152,000,000	-
Primary Health Services Strengthening Programmes (PSSP)	1,444,000,000	1,390,795,671	53,204,329
General Education Modernization Projects (GEMP)	375,000,000	365,733,588	9,266,412

Audit Observation

Comment of the Chief Accounting Officer

- (a) According to the above information, after incurring expenditure from the allocations received from 04 sources for the implementation of the Southern Province Development Plan in the year under review, a sum of Rs.22.8 million, Rs.22.8 million, Rs.53.2 million and Rs.9.3 million remained underutilized out of the funds further received for the provincial specific development grants, primary health services strengthening program and general education modernization projects, respectively.
- The development plan of Rs.1,620 million (PSDG) and Rs.104 million (CBG) was approved as agreed by the Finance Commission at the beginning of the year 2023. However, in giving approval to the development plan submitted to the Finance Commission through the Finance Commission Secretary's letter No: FC/PDP/03/2023-SP and dated 03 March 2023, it was instructed to confirm the receipt of funds from the General Treasury before entering into obligations regarding the projects. Accordingly, the projects were implemented by securing
- Action should be taken to make maximum use of the allocations as planned.

imprest, but due to the heavy rains experienced in the latter half of the year, the projects could not be completed as planned.

4.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review, 699 proposals with an estimated value of Rs.857.53 million had been approved for new and continuous works.

According to the progress reports of the Provincial Council, the progress of the work proposals is as follows.

Description	Number of New Work Proposals	Number of Continuous Work Proposals	Total Number of Work Proposals	Estimated Value of Total Works Rs.Million
(i) Fully completed	622	07	629	625.99
(ii) Completed less than 50 per cent	21	-	21	50.33
(iii) Completed more than 50 per cent	40	-	40	179.21
(iv) Not Commenced	09	-	9	2.0
Total	692	07	699	857.53

Matters observed in this regard are as follows.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) According to the progress of 699 approved work proposals for the Provincial Specific and Criteria Based Program under the Provincial	Due to the receipt of instructions to confirm the receipt of funds from the General Treasury before entering into obligations regarding	Follow-up measures should be taken properly.

Development Plan of 2023, 629 work proposals had been fully completed as of 31 December of the reviewed year and 61 work proposals were in progress, but 09 work proposals had not been initiated. Accordingly, since 61 more work proposals were yet to be completed at the ministry level, the follow-up activities related to the completion of those work proposals by the respective ministries had not been carried out properly.

- (b) Although the prime objective of preparing the provincial development plan is to identify essential projects that should be given priority in the province (especially projects related to improving provincial income) and document the priority needs accordingly and prepare the provincial development plan by including relevant development projects, the development projects in the provincial development plan had been revised till the end of the year under review. Accordingly, in revising the special projects that are identified in the provincial council in time, it is possible to avoid revising the projects unnecessarily in the determination of a certain period of time. However, the
- the projects and due to the heavy rains experienced in the latter half of the year, the projects could not be completed as planned. Out of the unfinished 61 projects, 07 are implemented as continuous projects in 2024 and the other projects have been completed in the position they remained.
- Although the annual development plan was prepared at the beginning of the year, it had to be revised several times, and therefore, necessary adjustments were made.
- Development plan should be prepared after identifying the needs properly.

relevant objectives had not been achieved through the development plan prepared at a high cost at the beginning of the year.

- (c) Expenditure of Rs. 3.91 million had been incurred in excess of the approved bills in hand for 14 projects in the year 2023. When approving the bills in hand, we have only authorized payment for the amount remaining after deducting the value of last year's paid bills. However, the Road Development Authority has made payments exceeding the value of these bills in hand without our recommendation or approval. The Authority has been informed of this matter on several occasions. The certification, approval and payment should be done as outlined in the Financial Regulations when making payments for bills.
- (d) Although 1.12 million had been approved for the bills in hand of 08 projects for the year 2023, it was observed that due to the non-payment of such bills, the relevant projects had not been executed on the correct estimates and erroneous information had been submitted for the bills in hand. The payment for bills in hand is made by the Provincial Road Development Authority and in this regard, based on the facts observed during our investigation, inquiries have been made to that Authority through the relevant ministry on several occasions. Despite repeated requests to approve these projects without providing responses or justifications for our queries, we have not given approval and continue to adhere to this course of action. Follow-up measures should be taken properly and the progress of the respective projects should be evaluated.

4.2 Staff Administration

4.2.1 Staff of Provincial Council Institutions

Details of Provincial Public Officers (Except Education and Health) as at 31st December of the year under review are as follows

	Approved cadre	Actual cadre		Number of Vacancies
		Permanent	Casual/Substitute/Contract	
(i) Provincial Council Ministries and Departments	5,684	5,271	16	413
(ii) Local Authorities	5,961	5,340	601	621
(iii) Institutions established by statutes	593	447	11	146
Total	12,238	11,058	628	1180

Audit Observation

According to the details of the staff in the provincial council institutions as at 31 December of the year under review, there were 1,180 vacancies of provincial council officers.

Comment of the Chief Accounting Officer

Action will be taken to streamline the vacancies.

Action should be taken according to the general policies of public service.

4.2.2 School Staff

The information about the principals, teachers and supporting staff in the Southern Provincial Council schools is as follows.

Employee Category	Approved cadre	Actual cadre	Number of Vacancies	Number of excess employees
(i) Principals	283	141	142	-
(ii) Deputy Principals/ Assistant Principals	1,337	914	423	-
(iii) Teachers	23,592	21,280	2,312	-
(iv) Minor employees and support staff	3,322	4,045	-	723
Total	28,534	26,380	2,877	723

Audit Observation

There were no staff letters authorizing the payment of additional salaries and allowances totaling Rs.343,135,800 for 53 posts of school assistants and 670 watchmen in excess of the number of school assistants and school watchmen approved by the Director General of Management Services Department's letter No. DMS/SP/0301 dated 02 April 2019 and letter No. DMS/SP/0301 dated 28 May 2019.

Comment of the Chief Accounting Officer

Since the approved numbers in the form given as school staff are incorrect according to the 2019 staff review report, these numbers should be correct as follows.

According to the 2019 staff review report, the number of principals in the provincial council schools of the southern province is 1337. (Principal, Deputy, Assistant)

The number of approved teachers for provincial council schools in the southern province according to the 2019 staff review report is 23,596.

The number of approved minor employees and supporting staff in the Southern Province according to the 2019 staff review report is 4,132.

Recommendation

Appropriate measures should be taken regarding staff shortages/excesses in schools.

4.2.3 Health Staff

Information about the staff approved by the Department of Management Services in the year 2013 and the actual staff as at 31 December of the year under review is as follows.

Employee Category	Approved cadre	Actual cadre	Number of Vacancies
Senior level	1,395	1,156	239
Tertiary level	169	109	60
Secondary level	5,288	4,830	458
Primary level	3,255	2,858	397
	-----	-----	-----
	10,107	8,953	1,154
	=====	=====	=====

Audit Observation

There were 1,154 vacancies than the approved number of employees in each service categories and accordingly it was observed that some officers of Elpitiya, Kamburupitiya and Tangalle base hospitals were employed in the same station for more than 35 years from 06 years. Provided, the information related to all the officers who have exceeded 05 years in the information system maintained in the institution was not furnished during the audit.

Comment of the Chief Accounting Officer

The entry of information into the data system maintained by the Southern Province Health Services Department is managed by officers in charge of personal files at the District Health Service Director's Offices and base hospitals. These institutions are regularly informed about data entry and updates. Recently, the respective subject officers were instructed to include information from each institution separately. Accordingly, measures will be taken to ensure that information for all officers is entered into the data system and maintained in an updated manner in the future.

Recommendation

Action should be taken as per the approved cadre.

5. Accountability and Good Governance

5.1 Rendering public services

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
In accordance with the by-laws of the multipurpose cooperative societies operating in the Southern Province, which have been passed so as to apply separately to these societies, members should be appointed to the committees once in 03 years with each committee serving a term of three years. Upon the expiration of the specified period, the authority to conduct elections and appoint new members was vested in the Cooperative Development Commissioner by Special Gazette No. 297/7, dated 28 December 1977. However, the tenure of 20 out of the 34 multipurpose cooperative societies operating in the Southern Province had concluded by 31 December of the year under review. Although a case was pending relating to one society, no action had been taken to hold	Despite the term of office for most of the multipurpose cooperative societies in the Southern Province having ended in 2022, the election for regional committees/boards of directors has not been conducted, as per Letter of Instructions No. G/SP/04/0402/03-1 dated February 27, 2023, issued by the Honorable Governor.	Action should be taken in accordance with the authority given by the relevant gazette notification.

the election in the other 19 societies were according to the relevant gazette order.

5.2 Budgetary Control

Audit Observation

Provision totalling to Rs. 4,770,164,561 remained unspent, out of the net provision related to the 26 Heads of Expenditure, and those values were in the range of Rs. 1,383,824 to Rs. 1,571,938,944.

Comment of the Chief Accounting Officer

Given the economic difficulties in the country, Chief Secretary Circular 01/2023 and Budget Circular No. 03/2022 have directed a reduction in expenses. In accordance with these instructions, only essential expenses were incurred, with capital expenditures being limited.

Adequate provision should be made for requirements.