

Southern Provincial Council – 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Southern Provincial Council for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 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 25 June 2025. In terms of Section 11(2) of the National Audit Act, the Detailed Management Audit Report was issued on 30 June 2025. 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 2024, 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 Recommendation Accounting Officer

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| (i) | As a result of incorrectly recording a payment of Rs. 123,000,000 as having been made to two institutions of the Southern Provincial Council during the year under review, together with advance payments of Rs. 8,696,308 under the Primary Health Care Programme and the amount of Rs.10,153,959 received for two projects being shown under other payments of the | It has been stated that actions have been taken to prevent such errors in the future. | Expenditure should be correctly identified and properly accounted for. |
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year under review instead of being remitted back to the Treasury, the expenditure for the year had been overstated by Rs.141,850,267.

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| (ii) | Property, plant, and equipment valued at Rs.386,664,286 belonging to 10 institutions of the Southern Provincial Council had not been accounted for, while property, plant, and equipment valued at Rs. 355,554,768 belonging to 7 institutions had been accounted for as Rs. 262,467,344. Accordingly, as at 31 December of the year under review, the value of property, plant, and equipment had been understated by Rs.479,751,710. | It has been stated that action will be taken to account for them correctly in the year 2025. | The accurate value of property, plant, and equipment should be properly accounted for. |
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1.2.2 Non-reconciled Control Account

Audit Observation

Comment of the Chief Accounting Officer Recommendation

Under the heading of current liabilities in the Statement of Financial Position of the Southern Provincial Fund Account, stamp duties and fines payable to provincial administrative institutions were shown as Rs. 1,121,074,823 and Rs. 65,320,913 respectively. According to the financial statements submitted by those provincial administrative institutions for the year under review, those amounts were Rs. 2,373,348,436 and Rs. 148,204,932 respectively. Accordingly, a difference of Rs. 1,335,157,632 was observed in the aggregate of fines and stamp duties.

This difference has arisen because the estimated amounts are based on the provisions allocated for stamp duties and court fines in the budget statement for the months for which the provincial institutions have not submitted sub Documents.

It is necessary to reconcile the balances and prepare the financial statements accordingly.

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) Transactions of Contentious Nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Based on an email sent exclusively to the Southern Provincial Council indicating that the 24th Inter-Islands Tourism Policy forum would be held over four days starting from 19, November 2023, the Office of the Governor had spent Rs.3,001,106 for the participation of four officials representing the Governor's Office including the Governor's Private Secretary and a Managing Director of a private institution. However, no report has yet been submitted regarding the knowledge gained or the policy matters discussed at the conference. Furthermore, according to Regulation 2.1(2) of the Southern Provincial Financial Regulations, no expenditure may be incurred from the Provincial Council Fund in contravention of the provisions of the Provincial Councils Act No. 42 of 1987. However, a Managing Director of a private institution participated in this tour at the expense of the Provincial Council Fund. Although it had been informed	It has been stated that the Governor appointed the officials who were to participate in the conference, and that a business forum was also held parallel to the ITOP program. Since the participation of entrepreneurs from the province was required for this event, a businessman who makes a significant contribution to the tourism industry of the Southern Province and is engaged in business activities was included as a participant. It has been stated that the government initially paid the amount required to facilitate the organization of the relevant foreign visit, but arrangements have been made to reimburse that amount, and therefore no additional expenditure was incurred for this purpose. Although the circular No. MF/06/23/50/2023 dated March 26, 2023, issued by the Secretary to the Ministry of	Action should be taken in accordance with the provisions of the Southern Provincial Financial Rules and the instructions letter.

that meals and refreshments would be provided for participants of the conference, a sum of USD 750 (equivalent to Rs. 245,393) had been paid to the Governor as refreshment allowance, contrary to clause 02(III) of the circular No. MF/06/23/50/2023 dated March 20, 2023, issued by the Secretary to the Ministry of Finance, Economic Stabilization and National Policies.

Finance, Economic Stabilization, and National Policies, limits foreign travel allowances, paragraph 2:iii of that circular allows a payment of 750 US dollars to the Minister or Secretary leading the delegation. Accordingly, that payment was made, and the full cost of the foreign travel of the Governor and the Governor's Coordinating Secretary was borne by the funding organization.

(b) Unresolved audit paragraph

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Inspection regarding the official vehicles of the Governor's Secretariat.		
(a) According to Section 4.2 of the Circular No. PC/CSA/11-18 dated 12, October 2018, issued by the Secretary to the President, and the amended Public Administration Circular No. 13/2008(VI) dated 29, December 2021, a vehicle assigned to the Public Relations Officer of the Governor was provided with a fuel allowance. During the period from January to August 2023, a total of 1,704 liters of fuel amounting to Rs. 601,512 was paid as a fuel allowance at a rate of 213 liters per month. However, during that period, out of 119 days on which the Public Relations Officer was required to travel for official field duties, on 118 days the officer had not used the vehicle assigned to his post, but had instead traveled using the Governor's official vehicle or the Governor's security	A monthly fuel allowance has been paid for the official vehicle used by the Public Relations Officer in accordance with the provisions of the Presidential Circulars issued by the Secretary to the President under government Expenditure Management. Similarly, a monthly fuel allowance has also been paid to the Governor for the quantity of fuel specified in the same circular for the Governor's security vehicle. It has further been stated that, on the instructions of the Governor and for the convenience of official duties, the Public Relations Officer had, on certain occasions, traveled in the Governor's official vehicle or escort vehicle.	Action should be taken in accordance with the provisions of the circular.

vehicle. However, during the same period, an amount of Rs. 1,397,880 had been paid from the Provincial Council funds for 3,960 liters of fuel, calculated at 495 liters per month, for the Governor and the Governor's security vehicle.

- (b) According to Annex 01 of the Public Administration Circular No. 13/2008 dated June 26, 2008, running charts had been submitted only for January 2022 for a jeep belonging to the Governor's pool. However, no running charts had been submitted for a distance of 4,164 kilometers that the vehicle had traveled.

There was no driver assigned to that vehicle, and only two drivers had been assigned to operate four vehicles the Governor's official vehicle, three escort vehicles, and the vehicle allocated to the Public Relations Officer. It has been stated that, on many occasions, drivers were temporarily assigned from the Office of the Chief Secretary of the Southern Province to operate the Governor's escort vehicles for official duties, and that the two drivers who were on duty at the time had carried out driving duties for the four vehicles as required.

Action should be taken in accordance with the provisions of the circular.

- (ii) According to the decisions of the Southern Provincial Cabinet dated 2, May 2019, and 15, January 2020, an Advisor to the Governor was appointed with effect from 25, June 2019, with a monthly allowance of Rs. 75,000 and entitled to the privileges of a Senior Assistant Secretary of a Ministry. A total sum of Rs. 3,203,409 had been paid as a fuel allowance to the said Advisor for the period from 25, June 2019, to 31 August, 2023.

Furthermore, while serving as an Advisor to the Governor, the same individual had also been appointed as a Member of the Southern Provincial Public Service Commission on 18, March 2020. From that date up to 31, August 2023, a total of Rs. 1,166,838 had been paid as

It has been stated that, in accordance with the powers vested in the Governor, the relevant officer had been appointed to the post of Member of the Southern Provincial Public Service Commission, and that the allowances and other payments entitled to that position had been made by the Public Service Commission itself. And since all the functions performed by the Chief Minister and the Board of Ministers of the Provincial Councils have been assigned in the Provincial Governors, the appointment of Advisors to assist the Governor in carrying out those duties should be made directly in accordance with the instructions of the Governor.

Action should be taken in accordance with the decisions of the Cabinet of Ministers.

allowances. While that situation remained unchanged, the same Advisor had also been appointed, on a contract basis for a period of one year, to the post of Director of the Galle Heritage Foundation. Moreover, while receiving an official vehicle and a fuel allowance from the Governor's Secretariat, the said Advisor had also used a motor car provided by the Galle Heritage Foundation, and fuel had been obtained for that vehicle as well for a period of one year, starting from July 2021. Accordingly, it has been observed that serving in three institutions during the period from June 2019 to August 2023, while also obtaining fuel from both the Governor's Secretariat and the Galle Heritage Foundation, does not constitute a proper or acceptable situation.

And also it has been stated that, with the approval of the Governor, a vehicle has been provided for the performance of duties related to the post of Governor's Advisor, and that the allowances and other payments pertaining to the Public Service Commission and the Galle Heritage Foundation are not made by this office.

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
Presidential Secretariat Circular No. PS/CSA/11-18 dated 12,October 2018.	The individual who was appointed at 1, December 2022, to the post of Management Assistant in the personal staff of the Chairman was 58 years and 8 months of age on that date. Accordingly, the appointment had been made despite the fact that the individual had exceeded the maximum age limit of 30 years stipulated in the recruitment procedure for the Management Assistant service category. Although the individual had reached 60 years	It has been acknowledged that by March 2023 the individual had reached 60 years of age. However, since the post in question is not a permanent position in the public service and is one related to the performance of duties of the Chairman of the Provincial Council, Action should be taken in accordance with the provisions of the circular.

of age by the end of the year under review, a total sum of Rs.1,031,125 had been paid as salaries and allowances from December 2022 up to December of the year under review.

the recruitment circular had not been strictly applied in making the appointment. It has also been stated that the payment of salary to the said officer has now been suspended.

(b) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) According to subsection 7.2 of Part II of the Provincial Councils Act No. 42 of 1987, the term of office of the Chairman shall continue until the first meeting of the Council convened after the dissolution of the previous Council. Although action should be taken in accordance with the provisions and limitations specified in the Presidential Secretariat Circular No. PS/CSA/11-18 dated 12, October 2018, regarding the personal staff and other facilities of the Chairmen of Provincial Councils, ten individuals had been appointed to the personal staff of the Chairman of the Southern Provincial Council, although the Presidential Secretariat Circular No. PS/CSA/00/1/4/2 (2) dated 28, October 2022, had reduced the number of personal staff members to six. The Southern Provincial Council had been dissolved on April 10, 2019, and from that date up to December 31, 2024, a sum of Rs. 15,538,305 had been paid to the Chairman as salaries and allowances. In addition, although there were no records regarding the official duties performed or attendance of the	After the dissolution of the Southern Provincial Council, the post-review activities of the Accounts Committee were commenced in 2022, and the post-review activities of the Petitions Committee were commenced in 2023. It has been stated that the post-review sessions of the Accounts Committee are held under the chairmanship of the Council Chairman, while those of the Petitions Committee are conducted under the chairmanship of the Governor. And since the Chairman's office is being maintained at his private residence in Gatamanne, no signatures are placed at the Office of the Secretary to the Council.	Action should be taken in accordance with the provisions of the Provincial Councils Act and the relevant circulars.

members of his personal staff, a total of Rs.33,407,601 had been paid to them as salaries and allowances by the Office of the Secretary to the Council.

- (ii) According to the letter No. 1/9/2/17/2019 dated September 17, 2019, from the Deputy Chief Secretary (Engineering Services) of the Southern Province addressed to the Secretary of the Council, it had been stated that the corroded pillars and slabs beams of the water tower structure constructed at the Office of the Secretary to the Council should be completely removed and reconstructed according to the required standards, after obtaining a recommendation report on the necessary structural repairs from the University of Moratuwa or another recognized institution. Accordingly, without implementing the recommendations provided by the National Building Research Organization (NBRO), the relevant construction work had been carried out by a Local Rural Development Society at a cost of Rs. 512,100. Since the repairs involved a structural failure related to concrete and steel pipe, the capability of such a Rural Development Society to undertake a specialized task of this nature had not been confirmed for audit purposes. Furthermore, as per the report of the Faculty of Engineering of the University of Moratuwa, bearing number SPC/R/1/1/(ii)/CB/3/2/4/002 and submitted at 14, October 2014, under section E8 on page 34 regarding the referred building, it had been observed that from two buildings A and B Building, A had a higher load-bearing capacity than Building B, and that there was a gap (separation)
- It has been stated that, since the tests mentioned in the report submitted by the National Building Research Organization would require a considerable amount of time and money, the recommendations in paragraph 3.4 of that report were submitted to the District Engineer (Buildings). Accordingly, estimates were prepared, and the relevant repairs were carried out under the full supervision and guidance of that institution. Furthermore, action is being taken to obtain the necessary reports to confirm the long-term stability of the structure.
- Action should be taken in accordance with the recommendations of the National Building Research Organization.

between the two buildings. Based on these observations, it had been revealed that there were issues concerning the structural strength of the buildings.

(c) Unresolved audit paragraph

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Provision of a medical insurance cover to the Chairman of the Southern Provincial Council. Although according to the Presidential Secretariat Circular No. PS/CSA/11-18(I) dated 27, September 2022 and Circular No. PS/CSA/11-18(II) on the management of government expenditure dated 28, October 2022, the Provincial Councils Circular clearly specifies the allowances that may be paid to the Chairmen of Provincial Councils, and in the year 2022, among the financial crisis that prevailed in the country, while the Presidential Secretary had issued a circular instructing that provincial councils manage government expenditures by limiting expenses, an amount of Rs. 104,818 had been paid from the Provincial Council Fund to provide medical insurance coverage for the Chairman of the Southern Provincial Council.	According to Cabinet Decision No. 566, which was presented by the Chief Secretary of the Southern Province at 20, April 2011, regarding the implementation of an insurance scheme for Provincial Council Members, the Chairman's medical insurance scheme has been continuously in operation. Furthermore, with the approval of the Governor, funds were expended for the annual medical insurance scheme of the Chairman of the Southern Provincial Council for the year 2023.	Action should be taken in accordance with the circular provisions.
(ii) Contrary to the letter No. G/SP/1/57 Volume 01 dated 9, August 2010, issued by the Secretary to the Governor of the Southern Province, an allowance	According to the circulars PS/CSA/11-18(1) and PS/CSA/11-18 (II) issued in 2022, the payment of this allowance has been	Action should be taken in accordance with the instructions provided in the relevant letters.

of Rs. 1,350,000 had been paid by the office of the Secretary to the Council to the Chairman of the Southern Provincial Council for renting a residence for the period from August 2020 to October 2022.

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| <p>(iii) According to paragraph 1 of Circular No. PS/CSA/11-18 dated 12, October 2018, office allowances cannot be paid after the dissolution of the Provincial Council. However, the Office of the Secretary to the Council had paid a total of Rs. 1,850,000 as office allowance to the Chairman of the Southern Provincial Council for the period from October 2019 to October 2022. .</p> | <p>According to the circulars PS/CSA/11-18(1) and PS/CSA/11-18 (II) issued in 2022, the payment of this allowance has been discontinued from October 2022.</p> | <p>Action should be taken in accordance with the circular provisions.</p> |
| <p>(iv) It has been stated that the Chairman of the Southern Provincial Council is entitled to 600 liters of petrol per month if provided with a petrol vehicle, or 500 liters of diesel per month if provided with a diesel vehicle. However, in violation of these provisions, 600 liters of diesel had been provided monthly. As a result, contrary to the instructions in paragraph 4.1 of Circular No. PS/CSA/11-18 dated 12, October 2018, a total of 3,900 liters of diesel amounting to Rs. 708,000 had been paid for the period from July 2019 to September 2022, and due to payments being made based on super diesel rates, an excess payment of Rs. 682,525 had also been made.</p> | <p>It has been stated that, apart from the vehicle currently provided to the Chairman, fuel allowances for the vehicles reserved and allocated under the office of the Secretary to the Council are being paid based on the normal diesel/petrol rate with effect from 1, April 2023.</p> | <p>Action should be taken in accordance with the circular provisions.</p> |

- (v) Contrary to paragraph 4.2 of Circular No. PS/CSA/11-18 dated October 12, 2018, a total of Rs. 3,700,000 had been paid by the Office of the Secretary to the Council as a vehicle allowance at the rate of Rs. 50,000 per month from October 2019 to October 2022 to the Coordinating and Public Relations Secretaries of the Chairman of the Southern Provincial Council and in addition, despite not being provided with official vehicles, a total of Rs.2,516,680 had been paid as fuel allowances by the Office of the Secretary to the Council for the period from August 2019 to October 2022.
- According to clause 4.2 of the Presidential Secretariat Circular No. PS/CSA/11-18 on the management of government expenditure, fuel allowances for the official vehicles of the support staff of Provincial Council Chairmen are to be paid within the limits specified by the circular based on the value of fuel prevailing in the local market on the first day of each month.
- Action should be taken in accordance with the circular provisions.

1.5.3 Head 302 - Southern Provincial Public Service Commission

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

Reference to Laws, Rules and Regulations	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
41 Procedural rules of Public Service Commission No. 2310/29 of December 14, 2022	According to the referred Procedural rules, action had not been taken to publish in the Gazette the ten service statutes approved in relation to the Southern Province.	In this regard, the matter has been referred for the orders of the Governor, and further action will be taken upon receiving approval.	Action should be taken in accordance with the procedural rules of the Public Service Commission.

(b) Management Inefficiencies

Audit Observation

Comment of the Chief Accounting Officer Recommendation

At the competitive examination held on November 18, 2023, for the recruitment of 3,230 teacher vacancies in 56 subjects in Sinhala, Tamil, and English mediums for Grade III, Class 1(A) of the Sri Lanka Teachers' Service in schools under the Southern Provincial Council, all officers of the Southern Provincial Ministry of Education and the Department of Education had been excluded from activities related to the preparation and evaluation of question papers. Instead, officers from other ministries and departments of the Southern Provincial Council had been engaged in those activities. During the sample audit examination, it was observed that appointments had been made exceeding the number of vacancies identified at the time of announcing the recruitment of graduates for teacher vacancies; that some schools identified as having vacancies had not had those vacancies filled, that appointments had been granted to certain graduates whose names were not included in the list of candidates who passed the examination, that recruitment had not been done according to the order of marks obtained by the applicants, and that 12 applicants who did not possess the subject qualifications specified in the Gazette notification had been appointed.

As officers of the Ministry of Education and the Department of Education were involved in conducting the general interview and practical tests, it had been decided not to involve them in the marking of answer scripts. Action should be taken in accordance with the recruitment notification.

(c) Transactions of Contentious Nature

Audit Observation

The Public Service Commission had made payments amounting to Rs.3,937,881 and Rs. 1,314,332 respectively to resource persons for the preparation and evaluation of question papers related to competitive examinations for recruitment and efficiency bar examinations conducted in the Southern Province during the years 2023 and 2024 and since the resource person registry related to the preparation and evaluation of question papers for those competitive examinations is maintained as a confidential record known only to the Examination Division of the Commission, decisions had been taken not to disclose such information to external parties, including audit officers. As a result, the Southern Provincial Public Service Commission had acted in a manner that restricted the Auditor General's scope of audit and effectively deprived the Auditor General of the right to obtain information guaranteed under Article 154 of the Constitution. Furthermore, as it was not possible to conduct a proper audit examination regarding the selection of resource persons for the preparation and evaluation of question papers related to recruitment examinations and efficiency bar examinations for various posts in the Southern Province, the audit could not assess the shortcomings, existing issues, and the level of independence and transparency of the examination process, as well as other related procedural matters.

Comment of the Chief Accounting Officer

The Commission's decision dated June 26, 2024, was once again brought to the attention of the Commission, and at the meeting held on February 5, 2025, it was decided that the resource person registry could be made available to the audit.

Recommendation

The responsibility of providing the information required for audit activities properly should be fulfilled.

(d) Irregular transactions

Audit Observation

**Comment of the Chief Recommendation
Accounting Officer**

Although the staff of the Provincial Public Service Commission were entitled to receive holiday pay and overtime allowances with proper approval when performing their regular official duties, an incentive payment totaling Rs. 337,636 had been paid to the staff involved in the open competitive examination conducted for the recruitment of graduates to fill teacher vacancies in schools under the Southern Provincial Council. This payment had been made with the approval of an incentive allowance for duties such as opening envelopes containing applications, checking and computerizing them, preparing name lists, and preparing and posting admission cards. In addition, payments amounting to Rs. 80,150 as holiday pay and Rs. 273,838 as overtime allowance had been made to those officers for the prompt completion of official duties related to the said examination.

It was revealed that the Governor's approval had been granted to make payments only to staff members who performed duties exceeding a specified amount on a task-based basis, and that an incentive allowance had been paid to the staff of the Public Service Commission with the approval of the Governor.

Payments should be made only under proper authorization.

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) Management Inefficiencies

Audit Observation

**Comment of the Chief Recommendation
Accounting Officer**

- (i) An amount of Rs. 5,380,634 had been spent in 2014 for the computer networking of ministries and institutions within the Dakshina Paya complex. In addition, from 2018 to 2023, payments amounting to Rs.11,401,133 had been made for annual servicing and maintenance, Rs.13,792,564 for internet

services, and Rs. 9,041,122 for the purchase of a firewall system and the renewal of annual licenses, all paid by the main ministry to a private institution.

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| <p>(a) Regarding the maintenance of the Dakshina Paya computer network system, without obtaining the recommendations of the software developers' supervisor or the consultant appointed for the supervision and management of the Southern Provincial Council's computer network, the Secretary to the Chief Ministry had, on October 29, 2021, requested an increase in the internet service capacity from 20 MBPS to 40 MBPS for the implementation of the document management system. Although the Chief Secretary, by letter dated November 11, 2021, had delegated to the Secretary of the Chief Ministry the authority to increase or decrease the internet bandwidth as required in the future and had granted approval for that purpose, Accordingly, without acting as instructed, the Chief Ministry had unnecessarily spent a sum of Rs. 3,104,535 from December 2021 to June 2024 for maintaining an internet bandwidth capacity of 420 MBPS at a rate of 20 MBPS per month.</p> | <p>After problems arising in the systems are reported to the Information Technology Assistant Officers, necessary solutions are provided. Issues that cannot be resolved at that level are referred to the Information Technology Assistant Officers and software developers of the Chief Ministry, or if unresolved, to the respective service-providing institutions. Furthermore, an online monitoring system operating 24 hours a day is in place to observe the speed of the internet service.</p> | <p>Necessary actions should be taken to obtain appropriate guidance for supervision and control, determine the required system capacity, and restore the system to a fully functional state.</p> |
| <p>(b) Although a consultant had been temporarily appointed for regulatory functions related to the supervision and control of the computer network, no action had been taken to obtain a report from the consultant regarding the current status or functionality of the computer network system at the time of making the above payments.</p> | <p>The services of the relevant consultant had been obtained only until the installation of the computer network system, and no consultancy services had been provided for that system during the period in which the related services were being delivered.</p> | <p>When making payments, action should be taken to obtain a report from the consultant regarding the current status and functionality of the system.</p> |

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| (ii) | <p>Although valuation reports had been obtained in 2018 from the Chief Valuation officer of the Southern Province for acquiring the lands on which the Akuressa Medical Officer of Health Office and the Paraduwa Gramodaya Health Centre are located, more than seven years had elapsed without taking action to acquire those lands. As a result, in 2023, the newly assessed value of the said lands had increased by Rs. 6,275,000.</p> | <p>It was revealed that delays had occurred in the exchange of correspondence related to the land acquisition process, and steps will be taken to inform the relevant officers to prevent such situations in the future.</p> | <p>Action should be taken to complete the land acquisition process promptly.</p> |
| (iii) | <p>Under the “Rasa Guna Piri Heladiwa Osu “ Project, which aimed to promote indigenous food and medicinal products among the people of the Southern Province to improve their health conditions and to enhance the income of several low-income families in line with national policy through the Divinaguma programme, the Chief Ministry had provided five tricycle trucks and one three-wheeler to selected beneficiaries in 2013 and 2015. However, by the end of the year under review, the sum of Rs.716,000 due for those vehicles had not been recovered.</p> | <p>The matter has been referred to the Legal Division of the Chief Secretary’s Office, and further action is being taken based on the advice of the said division to recover the due amounts.</p> | <p>Action should be taken to complete the recovery process promptly .</p> |

(b) Defects in Contract Administration

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	In the tender process conducted by the Southern Provincial Chief Ministry for the construction of the rain shelter at the Galle Expressway Bus Stand, a loss of Rs. 373,992 had been incurred due to the failure to award the contract to the lowest bidder, who had stated that the 22mm polycarbonate sheet required for the roof section was unavailable in the market and proposed to use a polycarbonate sheet of lesser thickness instead. Including the use of 4mm-thick polycarbonate sheets instead of the	It was stated that, since the use of 10mm polycarbonate sheets would involve higher costs and the use of 4mm polycarbonate sheets was considered appropriate, discussions were held with the architect of the Urban Development Authority. As the estimate had to be prepared urgently, there was	Payments should be made only after verifying compliance with the required standard.

10mm-thick sheets specified in the estimate for the rear and side sections of the rain shelter, an excess payment of Rs.699,840 had been made to the contractor for 11 such work items. Furthermore, a payment of Rs. 1,305,120 the estimated amount for using 22mm-thick polycarbonate sheets had also been made without any confirmation that sheets of that specified thickness had actually been used.

insufficient time to obtain prices and carry out a detailed price analysis; therefore, the estimate was prepared using a Provisional Sum. It was stated that the price reduction had been examined by considering the prevailing market prices and the invoices for the relevant materials purchased by the contractor, and that this had been reflected in the bill.

- (ii) In the construction of the Yashorapura Information Center, completed on April 22, 2019, at a cost of Rs. 25,458,409 by the Southern Provincial Chief Ministry, non-standard materials had been used. However, payments had been made at the rates applicable to standard materials, resulting in an excess payment of Rs. 6,302,940 had been paid to the contractor. Moreover, as the building remained underutilized, the total expenditure incurred on its construction had become entirely idle.

It was stated that action would be taken to utilize the premises effectively after the ownership of the land is transferred to the Southern Provincial Chief Ministry.

Immediate steps should be taken to make it a productive asset.

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 value of constructing the Lunugamwehera Bus Stand in the Hambantota District was Rs. 20,778,835, it had been shown as Rs. 1,200,000 in the financial statements, resulting in the building value being understated by Rs. 19,578,835.	It was stated that the valuation had been recorded according to the assessment of the Provincial Department of Revenue and that further action would be taken after obtaining clarification from the Provincial Commissioner of Revenue.	The correct value of the assets should be properly accounted for.

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| (ii) | Although the land of the Habaraduwa Bus Stand, valued at Rs. 13,200,000, had been transferred to the Southern Provincial Chief Ministry on April 8 of the year under review, its value had not been removed from the financial statements. | It was stated that although ownership of the land had been transferred to the Chief Ministry, its use was still being carried out by the Authority; therefore, it had not been removed from the financial statements. It was further mentioned that the Chief Ministry would be consulted and necessary action would be taken accordingly. | Assets should be properly identified and accounted for accurately. |
| (iii) | Although the value of the two solar panel systems installed at the Galle Bus Stand was Rs.3,200,000, it had been recorded as Rs.1,600,000, resulting in non-current assets being understated by Rs. 1,600,000. Depreciation expenses had also been understated accordingly. | It was stated that two solar panel systems, each with a capacity of 8 kilowatts (a total of 16 kilowatts), had been installed under meters 01 and 02 at the Galle Bus Stand, and that their total value was Rs. 1,600,000. | Assets should be correctly identified and properly accounted for. |
| (iv) | As at December 31 of the year under review, valued of three-wheeler services, Rs.7,590,000 and amount of Rs.1,518,000, which remained unpaid for the software system for school services and office services, had not been recorded as a current liability. | It was stated that training would be provided to the institution's accounting officers to prevent such errors and to ensure that similar mistakes do not occur in the future. | Current liabilities should be correctly identified and properly accounted for. |

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

Reference to Non-compliance Laws, Rules and Regulations		Comment of the Chief Accounting Officer	Recommendation
Financial Regulation 131.3	Contrary to the prescribed procedure, the Director (Finance), acting as the Certifying Officer of the Southern Province Road Passenger Transport Authority,	It was stated that the situation had occurred due to a printing error and that the necessary authority had been properly delegated by the Secretary to the Chief Ministry.	Actions should be taken in accordance with financial regulations.

had certified expenditure vouchers exceeding his financial authority a total of 115 vouchers amounting to Rs. 8,311,139.

(c) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the project report on the use of GPS technology for bus service management, it was indicated that, due to delays of at least 5 minutes per trip across 13,000 trips per day, the Southern Province losses a total of 3,250,000 minutes annually. Accordingly, if fines had been imposed for each delayed trip in terms of the provisions of the Southern Province Road Passenger Transport Authority Statute No. 02 of 1996, fines amounting to at least Rs. 949 million could have been recovered for the year. However, only about Rs. 3,343,893 had been recovered as delay charges during the year under review.	It was stated that imposing fines for all delayed trips is practically difficult and that the expectation of this project is to utilize technology to prevent delays in bus trips.	Fines should be imposed in accordance with the provisions of the Southern Province Road Passenger Transport Authority Statute No. 02 of 1996.

(d) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) In relation to the procurement of the web application expected to facilitate the registration of 70,000 three-wheelers, 1,500 school buses, and 400 office transport service vehicles, it was revealed that, contrary to the procurement decision which required a five-year performance guarantee, the contract had been awarded to a company	It was stated that the software had been developed to cover all categories including three-wheelers, school buses, and office buses and that alternative strategies would be adopted in the future to achieve the intended objectives. It was further mentioned that the agreement	Action should be taken in accordance with financial regulations and the decisions of the procurement committees.

that had falsely represented itself as having five years of experience, the company had been registered only six months prior to the awarding of the contract, and 80 percent of the sum of Rs. 7,590,000 which was to be paid over a period of five years had been paid in advance. Although only 1,712 three-wheelers representing approximately 3 percent performance had been registered through this web application within a period of one and a half years, the Director General, citing that the project was performing at a high level, had paid the remaining 20% installment amounting to Rs.1,518,000, along with a five-year service agreement that had subsequently been utilized by the new Chairman.

signed on February 27, 2025, would be submitted to the Board of Directors for further action.

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| <p>(ii) When purchasing 50 cubic meters of ABC mixed metal required for the Thawalama Regional Engineering Office by the Southern Provincial Passenger Transport Authority, the purchase had been made without verifying the quality standards of the ABC mixed metal stock. According to the report of the physical sample testing carried out, it was confirmed that the purchased ABC mixed metal did not meet the required standards. It was revealed that 23.04 cubic meters had been directly transported to the respective road construction site, and that no action had been taken to verify the quantity and value of the stock brought to the premises of the Regional Engineering Office. And it was further observed that the</p> | <p>It was stated that, from the year 2025 onward, equipment with valid warranty periods would be properly identified and actions would be taken accordingly, and that price quotations would be called for the purchase of other equipment with the intention of entering into annual agreements, ensuring that this process is carried out once every year.</p> | <p>Materials that meet the required standards must be purchased.</p> |
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control system relating to the purchase of raw material stocks and the maintenance of stock records had been at a weak level, and that the Acting Engineer, deviating from proper procedure, had transported part of the ABC mixed metal stock to the worksite and the remaining portion to the storage premises. Accordingly, it was observed that the sum of Rs. 262,500 spent for the supply of ABC mixed metal had been an uneconomical expenditure.

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| <p>(iii) Although the Board of Directors had granted approval for the total estimated cost of Rs. 7 million for the development of the road leading to Kudamalana village, which does not fall under the jurisdiction of the Southern Provincial Road Development Authority, Instead of acting in accordance with the Procurement Guidelines, the decision of the Board of Directors had been disregarded, and the relevant project had been divided into two sections. Accordingly, agreements were entered into on July 10, 2024 one with a Community Development Society for Rs. 4,234,209 to construct the first kilometer of the road, and another with a Farmers' Organization for Rs. 2,884,540 to construct the second kilometer. After the completion of the contracts, payments amounting to Rs. 4,206,372 and Rs.3,019,123 for a Community Development Society and Farmers' Organization respectively had been made, as totaling Rs.7,225,495. As a result, the opportunity to invite</p> | <p>It was stated that, since it was necessary to complete these two projects urgently, the Authority had implemented them through the two respective societies in accordance with State Finance Circular No. 01/2021.</p> | <p>Action should be taken in accordance with the Procurement Guidelines.</p> |
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competitive bids and select a fully qualified contractor to carry out the project at the lowest possible cost had been missed.

1.5.4.2 Southern Provincial Development Authority

(a) Unresolved Audit Paragraphs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Action had not been taken to recover from the relevant parties the loss of Rs.8,525,291 incurred directly by the government in relation to the supply of 2.5 million tea plants by the Southern Provincial Development Authority.	Furthermore, a sum of Rs.8,525,291 remains to be recovered from the tea plant supplier.	Action should be taken to complete the recovery process promptly.

1.5.4.3 Ruhunu Tourism Bureau

(a) Accounting Deficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) As at December 31, 2024, the total net assets stated in the financial position amounted to Rs.243,939,578, while the value of equity was Rs.248,563,578, indicating a discrepancy of Rs.4,624,000 between the net assets and equity.	It was stated that action would be taken to resolve the issue in the 2025 financial statements.	The financial statements should be prepared accurately by including the correct values.
(ii) An expenditure of Rs. 1,925,690 incurred for capital-nature repairs to the Pajero vehicle used as a pool vehicle of the ministry had been written off as an expense of the year.	It was stated that the revaluation of the vehicle would be carried out by taking this amount into account, and that it would be included in the 2025 financial statements.	The correct values should be properly accounted for.

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| (iii) | Although the net change in cash during the year was Rs. 5,265,705, it had been shown as a negative balance of Rs. 116,663,831 in the cash flow statement. | It was stated that action would be taken to correct this balance in the 2025 financial statements. | The figures in the cash flow statement should be recorded accurately. |
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(b) Operational Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) According to the Memorandum of Understanding signed on October 23, 2023, between the Ministry of Plantation Industries and the Ruhunu Tourism Bureau, the intended objective was to promote plantation crops and agricultural export crops. However, contrary to that objective, a tourist park had been established and operated. Furthermore, according to the rental agreement established for leasing the stalls in the said park, the Ministry had failed to recover the additional 10 percent penalty charge applicable due to delays in collecting stall rentals.	It was stated that, from January 2025 onward, a 10% penalty charge would be imposed if rental payments were not made on the due date.	Stall rentals and penalty charges should be recovered on time.
(ii) According to the agreement, 30 percent of the income earned from boat rides in the park's reservoir should be paid daily to the Ruhunu Tourism Bureau. Although the Bureau had collected the income accordingly, the income from boat rides had gradually declined due to the Bureau's failure to carry out an internal inspection regarding the issuance of tickets for the boat rides. Furthermore, although two booths had been installed for the ATM machines of the People's Bank and the Bank of Ceylon, the	It was stated that a pricing committee has been appointed to determine the rental charges.	Action should be taken to systematically collect revenue from all income-generating sources.

Bureau had not taken action, up to the end of the year under review, to enter into rental agreements with the respective banks and to collect the related income and although 25 stalls in the temporary building constructed for trading purposes had been allocated to vendors on the basis of daily income collection, there had been instances where the daily rental charges were not collected on rainy days.

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| <p>(iii) The Ambalangoda Facilities Service Center belonging to the Ruhunu Tourism Bureau had been leased out since 2023 for a period of two years at a monthly rent of Rs. 48,000. However, the lessee had subleased the premises from that same year for a period of five years at a monthly rent of Rs.50,000. Since the Bureau had not imposed any conditions regarding subleasing at the time of entering into the agreement with the lessee, the sublessee had defaulted on rental payments. Consequently, by the end of the year under review, a sum of Rs.576,000 was outstanding as rent, along with Rs. 262,862 due for water and electricity bills.</p> | <p>It was stated that initial steps had been taken to pursue the necessary legal action to recover the outstanding rent and the amounts due for water and electricity bills.</p> | <p>Lease agreements should be properly prepared, including all relevant terms and conditions, and rental payments should be collected on the due dates.</p> |
| <p>(iv) Due to the failure to act in accordance with the lease agreements for 24 stalls constructed within the Madunagala Hot Springs premises belonging to the Ruhunu Tourism Bureau, a sum of Rs. 294,000 remained outstanding as rent by the end of the year under review. Furthermore, after the expiration of</p> | <p>It was stated that, according to the provisions of the 2025 development plan, action would be taken to properly regularize these stalls and subsequently allocate them in accordance with the prescribed tender procedure, while also recovering the outstanding amounts.</p> | <p>Action should be taken to recover the outstanding rent, to sign the necessary lease agreements, and to ensure the proper collection of revenue.</p> |

the lease periods for 10 stalls, no action had been taken to sign new lease agreements. Instead, the amounts stated in the old lease agreements continued to be charged. In addition, Rs. 31,000 remained outstanding from one stall, while no rent had been collected from two stalls during 2023 and 2024. Moreover, as the Akurala Public Sanitary Complex had not been rented out since June 2023, an income of Rs. 307,800 had not been recovered.

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| <p>(v) During the year 2024, no rental income had been received from the Ruhunu Tourism Bureau owned Milk Shop and temporary canteen, nor had any action been taken to lease them out to a capable individual. Although the lease periods of the restaurant located within the car park, the photography center within the Madunagala Hot Springs premises, and the paddy land belonging to the same premises measuring 5 acres, 1 rood, and 13 perches had expired, the Bureau had failed to renew the lease agreements, resulting in a loss of revenue due to the non-recovery of income payable to the Bureau.</p> | <p>It was stated that action would be taken to enter into agreements with the lessees in the future and to recover the relevant rental payments.</p> | <p>Lease agreements should be renewed, and rental income should be properly collected.</p> |
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(c) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The tourist bungalow located in the Madunagala Hot Springs premises, which belongs to the Ruhunu Tourism Bureau, was built around the year 2006. However, due to the lack of significant renovations in recent times, by the time of inspection it had deteriorated to a condition where accommodation could no longer be provided for tourists.	It has been stated that funds have been allocated from the 2025 development plan for the renovation of the tourist bungalow located in the Madunagala Hot Springs premises.	Renovations should be carried out within the stipulated time and the facility should be utilized in a manner that ensures maximum efficiency.

1.5.5 Head 305 - Department of Health Services Southern Province

(a) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) It was observed during the audit that the supplier selected to provide meals for the junior staff and patients of the Nagoda District Hospital had improperly delivered raw food items to the house of the hospital's storekeeper. Furthermore, it was revealed that the storekeeper transported only the daily required quantity of raw food from his residence to the hospital for meal preparation. It was also revealed that there had been no adequate supervision or quality inspection to ensure that the raw food supplied by the supplier and the meals prepared according to the daily menu were actually provided to the patients and staff. As a result, during the audit, there was no acceptable or verifiable evidence to confirm that the sum of	It was stated that the Medical Officer-in-Charge conducts sudden inspections to verify whether meals are being provided to the patients and hospital staff in accordance with the prescribed menu.	The relevant activities should be carried out under proper supervision, and measures should also be taken to conduct daily inspections of the quality of the food.

Rs. 1,948,775 paid for raw food from January to August 2024 had been spent effectively.

(b) Transactions of contentious nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
An officer serving at the Matara District Health Services Director's Office had traveled abroad without approval from January 22, 2023, to February 19, 2023. During this period, medical reports had been issued stating that the officer was hospitalized 10 days' worth by the Medical Officer-in-Charge of the Deyyandara District Hospital and 17 days' worth by the Medical Officer-in-Charge of the Narawelpita District Hospital. According to the report of the medical evaluation board appointed to approve leave, 27 days of medical leave had been granted to this officer for the period from February 1, 2023, to February 27, 2023. Although action had been taken to retire the said officer upon his request, he had informed by letter dated April 19, 2023, that he had reported back to duty on February 27, 2023, and wished to withdraw his request for retirement. It was also revealed that a sum of Rs. 93,675 had been paid to the officer as salary for the period from February 27, 2023, to June 30, 2023. Furthermore, no action had been taken regarding the said officer and the responsible officers who had issued the false medical reports, in accordance with Section 31.1.12 of Chapter XLVIII of the Establishments Code.	It was stated that the Secretary to the line Ministry had appointed a preliminary investigation committee to conduct an initial inquiry regarding this matter, and that further disciplinary action would be taken based on the recommendations of that committee.	Action should be taken in accordance with the provisions of the Establishments Code.

(c) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
In parallel with the Primary Health Care System Strengthening Project, a sum of Rs. 299,117 had been spent under the Southern Province Hospital Networking Project for the Nagoda District Hospital and by this program, a barcode reader, a scanner, and three printers had been provided to the hospital in 2021 and 2023, however, due to the failure to meet other necessary requirements, these devices have remained non-functional up to now.	It was stated that, with the intervention of the Health Information Units of this office and the Galle District Health Services Director's Office, the issues that had arisen have now been resolved, and action has been taken to utilize the equipment that had remained non-functional.	Actions should be taken to utilize assets effectively.

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 Laws, Rules, Regulations and Management Decisions	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
(i)	Sections 172 (8), (9) of the Pradeshiya Sabha Act No. 15 of 1987	The surcharge recipient shall pay the relevant amount to the Commissioner of Local Government within 14 days from the date on which the Auditor General's decision regarding the surcharge is communicated. Although the payment is not made and no appeal has been lodged, the Commissioner of Local Government should apply to the Magistrate's Court having jurisdiction over the area in which the person resides to recover the relevant amount.	It was stated that legal proceedings are currently underway regarding three of the surcharges, that a decision has been given in respect of one surcharge but the persons surcharged have been acquitted, and that decisions regarding the remaining six surcharges have not yet been received from the Ministry of Provincial Councils and Local Government.	Action should be taken in accordance with the Pradeshiya Sabha Act.

By the end of the year under review, no action had been taken in accordance with the relevant regulations regarding 10 surcharge certificates amounting to Rs. 7,507,556 that had been issued by the Auditor General on various occasions.

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| (ii) | The Instruction Letter No. PL/09/01/06/Digitalization-project dated December 13, 2023, issued by the Secretary to the Ministry of Public Administration, Home Affairs, Provincial Councils, and Local Government. | According to the instruction letter referred to, by the end of the year under review, 34 local government institutions in the Southern Province had not yet provided facilities for online payment. However five local government institutions under the supervision of the Hambantota District Assistant Commissioner of Local Government, which had collectively incurred an expenditure of Rs. 2,507,500 to establish software systems, had also not provided online payment facilities by the end of the year under review. | It was stated that all heads of local government institutions had expressed their agreement to install this software. | Action should be taken in accordance with the instructions given in the instruction letter. |
| (iii) | The Instruction Letter No. 01/11/roadapp dated August 10, 2023, issued by the Commissioner of Local Government Southern Province. | Contrary to the instruction letter referred to, by the end of the year under review, road inventories had not been prepared for 436 Grama Niladhari divisions out of a total of 2,125 divisions belonging to 49 local government institutions in the Southern Province. | It was stated that most of the local government institutions had completed the surveying activities and that the work was in its final stage, while continuous monitoring of the current progress is being carried out. | Action should be taken in accordance with the instruction letter. |

(b) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the 2023 delegation of financial authority, the procurement committee limit of the Office of the Assistant Commissioner of Local Government was Rs. 500,000. However, repairs to a Toyota Hilux double cab vehicle valued at Rs. 2,085,510 had been carried out based only on the recommendation of the mechanical engineer, without obtaining the recommendations of the Departmental Procurement Committee and the Technical Evaluation Committee. Accordingly, action had been taken in contravention of Section 2.4 of the Procurement Guidelines, and the objectives of procurement ensuring transparency and fairness in the processes of evaluation and selection had not been achieved.	It was stated that quotations submitted by four institutions for this purpose had been presented to the Procurement Committee of the Galle Assistant Commissioner's Office and referred to the Mechanical Engineer of the Department of Local Government for recommendations. Subsequently, the selected institution had been awarded the contract, a formal agreement had been signed, and the work had been successfully completed and that the failure to record the procurement decision was an administrative oversight.	Action should be taken in accordance with the provisions of the Procurement Guidelines.

(c) Transactions of contentious nature

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
For the period from 2021 to 2024, a total of Rs. 693,381,608 had been collected as stamp duty revenue. From this amount, a commission equivalent to 3 percent of the stamp duty revenue totaling Rs. 21,217,468 had been paid from the council funds of local government institutions to 129 officers of the staff engaged in recording the related information.		

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| <p>(i) According to Section 185(d) of the Municipal Councils Ordinance (Chapter 252), Section 158(d) of the Urban Councils Ordinance (Chapter 255), and Section 129(b) of the Pradeshiya Sabha Act No. 15 of 1987, the total stamp duty revenue collected under the Stamp Duty Act No. 43 of 1982 should be credited to the Southern Provincial Council Fund, Although the relevant officers were eligible to be paid combined allowances and overtime allowances for recording information related to stamp duties, these commission payments had been made based on the approval of the Governor of the Southern Province.</p> | <p>It was stated that Circular No. 4/04/01/2021 dated January 01, 2021, issued by the Southern Province Department of Local Government, had been issued under due legal authority, and that every provision contained therein was based on a legal foundation.</p> | <p>Action should be taken within the relevant legal framework.</p> |
| <p>(ii) As provisions had been made through the internal circular No. 4/04/01/2021 dated January 1, 2021, issued by the Commissioner of Local Government of the Southern Province based on the approval of the Governor, in contravention of the provisions of Circular No. 1984/19 dated November 20, 1984, issued by the Assistant Secretary of the Ministry of Local Government, officers of local government institutions in the Southern Province, including revenue inspectors, had been paid commission payments in 119 occasions bringing from Rs. 50,000 to Rs. 2,318,326 per officer per month for recording information at other workplaces during official working hours, exceeding their monthly consolidated salaries.</p> | <p>-Do-</p> | <p>Action should be taken within the relevant legal framework.</p> |

(d) Assest management

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
The building of the Hambantota Assistant Commissioner of Local Government Office, situated on a land area of 2,795 square meters, is currently at risk of collapsing, and only a portion of the building is being used as the office's record room. Although the building could have been renovated and utilized effectively through proper repairs, a portion of the office's record room is being maintained on land belonging to the Hambantota Municipal Council. A total of Rs.371,530 had been paid as land rent for the period from February 27, 2024, to November 2024.	Due to the old building being located about 10 km away, it had become necessary to bear significant transportation costs and to travel there during emergencies to locate and examine documents. Therefore, arrangements had been made to maintain a new record room from the year 2024 onward.	Necessary action should be taken to utilize it for an effective purpose.

1.5.7 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
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(i) Ministry of Education Circulars

- Section 11.1 of the Circular No. 54/2023 of "Manual on Planning and Procurement School-Based Qualitative, Quantitative and According to the relevant provisions, the school procurement committee of a school with more than 1,000 students is authorized to approve purchases of goods and services up to a maximum value of Rs. 1 million. However, in a school in the It was stated that this program had been included in the annual plan and therefore had been carried out under the approval of the procurement committee; however, it was acknowledged that carrying it out without the approval of the Secretary to the Ministry was an error, and actions Action should be taken in accordance with the provisions of the circular.

Structural Development” issued December 2023.	29	Galle District, during the year 2024, an expenditure of Rs.2,850,000 had been incurred for the purchase of 2,000 T-shirts for students, based only on the approval of the school procurement committee.	would be taken to prevent such occurrences in the future.
Section 4.1.3.2, 7.1 (d) Note (iii) and Section 7.2 of Circular No. 54/2023 dated December 2023	29	Contrary to the provisions of the referred circular, in one school during the year 2024, a sum of Rs. 2,000 per student had been collected as a School Development Society fee from students admitted to Grade 1, Grade 6, and the Advanced Level classes. An additional total sum of Rs. 3,547,000 had also been collected as special donations, charging Rs. 5,000, Rs. 7,000, and Rs. 10,000 respectively from each student. In another girls’ school, a sum of Rs. 2,896,630 had been collected from students and credited to the School Development Society account.	It was stated that these funds had been collected in violation of the circular and that instructions had been given to act in accordance with the provisions of the circular in the future. Action should be taken in accordance with the provisions of the circular.

(b) Management Inciciencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) For the supervision of fieldwork carried out by field officers, the Secretary to the Southern Province Ministry of Education had paid a sum of Rs. 145,000 as combined allowances for 145 days of official travel out of 242 working days during the year under review, and a further Rs. 86,500 for 87 days of travel undertaken on weekends and public	It was revealed that the Secretary had obtained these allowances on weekdays, weekends, and public holidays for performing official duties such as monitoring the progress of construction projects implemented within schools and other parts of the education system, as well as supervising zonal offices and schools.	Action should be taken to utilize only the required number of days for supervision so that sufficient time can be allocated for administrative duties.

holidays. Therefore it was observed that the said Secretary had not spent an adequate amount of time on the administrative duties that should be performed within the Ministry.

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| (ii) | <p>A preliminary inquiry conducted regarding a school under the Hambantota Zonal Education Office revealed that a 59-year-old female teacher had been subjected to disciplinary charges, however, upon her request, 90 days of pre-retirement leave had been approved. However, she had obtained 110 days of such leave, after which the pre-retirement leave was canceled and she was recalled to service. In accordance with Section 36.2 of Chapter XLVIII of Volume II of the Establishments Code, action regarding the officer's request had not been taken in terms of Section 12 of the Pensions Minute, and she had been recalled to service. A sum of Rs.158,332 had been recovered for 47 days of lieu leave and can not to lieu leave obtained during the pre-retirement leave period, however, no disciplinary action had been taken in this regard.</p> | <p>Since the officer had submitted a request letter seeking permission to continue in service until reaching the age of 60 years, approval had been granted to cancel the pre-retirement leave and reinstate her in service.</p> | <p>Action should be taken in accordance with the provisions of the Pensions Minute.</p> |
| (iii) | <p>During the year under review, a sum of Rs. 454.44 million had been spent for the General Education Modernization Project, out of which the actual expenditure incurred under the two components new constructions and repairs and renovations amounted to Rs. 175.07 million, as against the provision of Rs. 248.645 million. That expenditure, which represented 39 percent of the total expenditure, had been incurred for school construction,</p> | <p>The projects were implemented in the schools identified based on their specific needs, and a project plan was prepared accordingly. This plan was approved by the Ministry of Public Administration, Provincial Councils, and Local Government through the Chief Secretary, with the consent of the World Bank.</p> | <p>Action should be taken to achieve the project objectives in accordance with the guidelines specifying the project components for which allocations under the General Education Modernization Project have been made.</p> |

repair, and renovation works that were not directly related to achieving the objectives of the project.

- (iv) During the year under review, the Southern Provincial Ministry of Education, Lands and Land Development, Highways, and Information recruited graduates to Grade III-1(a) of the Sri Lanka Teachers' Service.

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| <p>(a) According to Section 7.2.3.4 of the Sri Lanka Teachers' Service Minute, recruitment have not conducted on a school-based basis however, since recruitment had instead been carried out at the Divisional Secretariat Division level, No consideration had been given to appointing 94 eligible applicants who had obtained the highest marks in the four subjects tested.</p> | <p>According to Article 3 of Column 5 in the meeting minutes on the determination and review of employee numbers, issued by the Ministry of Linear Education on January 3, 2020, It has been proposed that the Teachers' Service Constitution should be amended so that teachers can be recruited at the Divisional Secretariat Division level.</p> | <p>Action must be taken in accordance with the provisions of the Sri Lanka Teachers' Service Constitution.</p> |
| <p>(b) According to Section 7.2.4.3 (a) (ii) Method of Selection of the aforementioned Service Constitution, and as stated in Sections 7.2.4.1 and 7.2.4.4.1(2) of the same, when appointments are made at the level of the Divisional Secretariat Division as specified in the vacancy announcement, instead of making school-based placements on a merit basis, if there are applicants within the same Divisional Secretariat Division who have obtained higher marks and fulfilled the required qualifications, Due to the fact that appointments for several subjects had been granted to seven</p> | <p>Out of the total appointments, four were granted to four applicants with disabilities who had applied from the respective Divisional Secretariat Divisions; one appointment was given to a Venerable, and another was a replacement appointment granted in place of an earlier appointment that had been given to an unqualified candidate. And that no applicant has been subjected to any injustice, as the appointments have been granted in accordance with the proper procedure.</p> | <p>Action must be taken in accordance with the provisions of the Sri Lanka Teachers' Service Constitution.</p> |

applicants who had obtained lower marks, five applicants who had obtained higher marks and fulfilled the required qualifications were deprived of their appointments.

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| (v) | <p>Contrary to Article 9.6 of Chapter VIII in Section 1 of the Establishments Code of the Democratic Socialist Republic of Sri Lanka, a sum of Rs. 671,949 had been paid as salary for leave days instead of granting vacation leave to four officers of the Southern Provincial Ministry of Education who were engaged in field duties.</p> | <p>It has been informed to the officers that, in the future, when paying for leave days, payment should be made only after obtaining details of the special duties assigned, the relevant summons letters, and confirmations of participation, and after ensuring that they have engaged in the relevant duty for a minimum period of eight hours.</p> | <p>Action must be taken in accordance with the provisions of the Establishments Code.</p> |
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(c) Procurement

Audit Observation

Comment of the Chief Accounting Officer Recommendation

According to the Section 6.2.2 of the Procurement Guidelines – 2006, the minimum period of 21 days required for calling tenders under the National Competitive Bidding procedure had not been allowed, with regard to two procurements valued at a total of Rs. 14,480,000, carried out for the distribution of school bags to students using allocations received under two expenditure subjects of the Office of the Chief Secretary of the Southern Province, Since only a very short period 3 days and 5 days respectively had been allowed as the minimum bidding period in the two published procurement notices, the procurement process had not been carried out in a competitive and transparent manner.

Accordingly, two institutions had submitted quotations for school bags, while six institutions had submitted quotations for school supplies. Since the time taken for this procurement process was 3 and 5 days respectively, it has been stated that the overall procurement process was carried out in accordance with the objectives of procurement.

Action must be taken in accordance with Section 6.2.2 of the Procurement Guidelines.

1.5.7.1 Southern Provincial Road Development Authority

(a) Unresolved Audit Paragraphs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
During the auction of the asphalt plant located at the Galagoda work site of the Southern Provincial Road Development Authority, the committee appointed for the valuation had estimated the asset at Rs.10,400,000, whereas the machinery had been sold at the auction for Rs. 21,100,000. Accordingly, the valuation was found to be inaccurate, as the assessment had been made without taking into account the 21,782 liters of tar and 4,028 liters of diesel contained in the machinery, resulting in a loss of Rs.3,274,784 to the Authority.	The failure to take into account the tar and diesel contained in the machinery demonstrates the gross negligence of the officers of the Authority responsible for the machinery, and the matter is currently under further discussion by the Board of Directors.	The responsible parties should be identified, and prompt action should be taken to recover the loss.

1.5.8 Head 310 - Department of Education, Southern Province

(a) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
In implementing the subject development programs conducted in 2024 for Mathematics and Science targeting G.C.E. (O/L) students of schools under the Matara Zonal Education Office, 1,985 students from 47 schools had participated in the Mathematics program, while 1,621 students from 31 schools had participated in the Science program, and essays as well as mock examinations had been prepared as part of these subject development activities, The programs had been conducted in such a manner that only	It has been stated that student seminars are being conducted based on mock examinations prepared in a manner that covers the entire syllabus.	The complete subject development programs should be implemented.

a very limited portion of each subject unit was covered, and therefore, the contribution made toward achieving the objective of the subject development programs enhancing the overall subject knowledge of the students had been shown minimal level.

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

1.5.9.1 Industrial Development Authority

(a) Accounting Deficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) A payment of Rs. 700,000 had been made to a private institution for the creation of a website for the Authority, and the amount had been capitalized even though the work had not been completed by the end of the year under review.	It has been stated that action will be taken to resolve the matter.	Assets should be properly identified and accurately accounted for.
(ii) Solar panels valued at Rs. 2,873,823 had been installed at the Denipitiya and Meetiyagoda centers using ministry allocations and the Authority's funds, however, by the end of the year under review, the panels had not yet been connected, although the amount had been capitalized.	It has been stated that action will be taken to resolve the matter.	Assets should be properly identified and accurately accounted for.

(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
(i)	Chapter VIII of the Establishments Code of the Democratic Socialist Republic of Sri Lanka			
	Paragraphs of 3.1, 3.2, and 3.5	Contrary to the referenced regulations, a sum of Rs.519,795 had been paid as overtime allowances to officers of the Industrial Development Authority who were engaged in supervision work at the centers, for performing their normal official duties.	It has been stated that this situation has arisen due to three vacancies existing in the staff of the Authority, and that actions will be taken to avoid such situations in the future by filling those vacancies through recruitment.	Action must be taken in accordance with the provisions of the Establishments Code.
	Paragraphs of 4.1	Contrary to the referenced regulations, a sum of Rs.545,789 had been paid as overtime allowances during the year under review to six officers of the Industrial Development Authority in respect of supervisory duties performed.	It has been stated that these payments were made as one officer had been assigned duties to supervise several centers as well as to perform tasks related to the development plan.	Action must be taken in accordance with the provisions of the Establishments Code.
(ii)	Public Administration Circulars No. 09/2009 dated April 16, 2009, No. 09/2009(I) dated June 17, 2009, and No. 02/2021(VIII) dated May 12, 2023.	Contrary to the provisions of the referenced circulars, the Industrial Development Authority had paid a total of Rs. 1,149,250 as overtime and holiday pay to five officers without confirmation of their attendance and departure through the fingerprint attendance system.	It has been stated that if official duties are performed at the head office on holidays, overtime payments are made based on the records in the fingerprint attendance system.	Action must be taken in accordance with the provisions of the circulars.

(c) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Out of the 11 tanks constructed under the second phase of the Ridiyagama Fish Breeding Center, 10 had remained idle without being used, while 4 of them had been constructed in year 2022 at a cost of Rs.1,114,459. Furthermore, a 10-acre plot of land had been handed over to the Industrial Development Authority by the Ministry of Fisheries and Livestock Production on June 7, 2023, for the Ridiyagama Fish Breeding Center. However, for nearly one and a half years, the land had not been utilized for any purpose. Although 84 coconut saplings had been planted in 2023, due to the lack of proper maintenance, all those saplings had by now been completely destroyed.	It has been stated that the necessary projects have been prepared to utilize the newly received 8 acres of land at the Ridiyagama Center effectively.	Assets should be utilized in a manner that ensures maximum productivity.
(ii) At the Ruwinigama Multipurpose Center, only a very limited portion of the available space had been utilized by the Authority for production activities, while a large area of the building had remained idle. Furthermore, the land had not been put to any productive use and had become overgrown with weeds, while all the buildings were in a condition requiring proper renovation.	It has been stated that the rooms of the building are being used for various purposes and that necessary arrangements are being made to plant 22 coconut saplings on the land.	Assets should be utilized in a manner that ensures maximum productivity.

1.5.10 Head 313 - Southern Provincial Department of Industrial Development

(a) Non-compliance with limits on transactions not confirmed with adequate authority.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
With respect to the Handicraft and Small Industries Advance Account, the approved expenditure and debit balance limits were Rs. 300,000,000 and Rs. 244,848,741 respectively, while the actual expenditure and debit balance amounted to Rs. 421,631,382 and Rs. 300,300,039 respectively. As a result, the limits had been exceeded by Rs. 121,631,382 and Rs. 55,451,298 respectively.	It has been observed that the limits of the Commercial Advance Account of the Southern Provincial Department of Industrial Development, bearing subject number 31302 as stated in Section 11 of the 2024 Financial Statement, have been exceeded.	Action must be taken within the approved limits.

(b) Management Inciciencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Student enrollment for training at the Ahangama and Aluthwala Light Engineering Institutes, the Amalagoda Wood Technology Institute, and the Agulmaduwa Brass Industry Institute had remained at a minimal level. The Department of Industrial Development had not paid adequate attention to attracting students to these courses through methods such as creating awareness among school students about the courses and their importance before they leave school.	It has been stated that, since any student whether successful or unsuccessful at the G.C.E. (O/L) examination can be attracted by providing opportunities to pursue higher education under the Advanced Level vocational stream, it is expected that this issue can be minimized in the coming year.	An adequate program should be implemented to raise awareness among students and to encourage their enrollment in the courses.
(ii) The Department of Industrial Development had not implemented a formal procedure regarding the sale of exhibition items produced for the National Handicrafts and Textile Competition, which is conducted as	It has been stated that instructions have been given to produce designs in the future with minimal creation, based on market demand.	A formal procedure should be established for the sale of these exhibition items.

a national requirement, with the total value of the items of produced amounting to Rs. 11,688,343. It was observed that the weaving instructors serving as acting officers at the Ruhunu Ransalu production centers had devoted a considerable amount of time to this industrial exhibition, and since the design work for the exhibition was carried out with the assistance of the craftswomen, a significant portion of time that could have been used for economically productive manufacturing had been spent on this activity.

(c) Idle and Underutilized Assets

Audit Observation

The upper floor of the two-storied building belonging to the Department of Industrial Development, located facing the Matara-Colombo main road at Habaraduwa, and three machines of the Amalagoda Wood Technology Institute valued at Rs. 297,571, had remained idle without being utilized for any purpose.

Comment of the Chief Accounting Officer

It has been stated that action will be taken to either lease out or use the section next to the sales outlet on the upper floor for another purpose, and that the machines will be repaired and utilized to meet the training needs of the students.

Recommendation

Assets should be utilized to obtain maximum benefit.

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

(a) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although the Southern Provincial Ministry of Agriculture, having spent Rs. 7.5 million to supply chilli seedlings, compost and fertilizer to 1,570 selected beneficiaries in four Divisional Secretariat divisions of the Galle district, had estimated a harvest income of Rs. 141.3 million, By May 31, 2024, only about Rs. 11 million in income had been generated, and the project had become one that was abandoned after a short period of about five months.	It has been stated that actions will be taken to ensure that shortcomings are minimized in the planning and implementation of such projects in the future.	Projects should be planned and implemented in a manner that ensures the achievement of their intended objectives.

1.5.12 Head 315 - Southern Provincial Department of Agriculture

(a) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Under the 50 percent assistance scheme of the Flexible Fund for Agricultural Entrepreneurship Development, a sum of Rs. 1,000,000 had been granted to a single beneficiary for the purchase of a compost-turning machine and a shredding machine. In providing funds for this purchase, the Procurement Guidelines had not been followed, and the purchase had been made according to the preference of the respective entrepreneur without	It has been stated that advice has been obtained from the Legal Officer of the Southern Provincial Council regarding this matter, and that, in accordance with those instructions, a discussion will be held between the current beneficiary, the new intended beneficiary for receiving the equipment, and the departmental officers to decide on the future course of action.	Projects should be implemented with greater transparency, and prompt action should be taken in accordance with the instructions provided by the Legal Officer.

any involvement or transparency on the part of the institution. Furthermore, no formal agreement containing specific conditions had been entered into with the beneficiary, and since the machines had not been used for any production activity, they had remained idle.

(b) Idle and Underutilized Assets

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
A spectrophotometer purchased in 2018 by the Gannoruwa Horticultural Crops Research and Development Institute (HORDI) for Rs. 731,880 and provided to the Matara Soil Laboratory of the Southern Provincial Department of Agriculture had become nonfunctional. The estimated cost of repairs was Rs. 2,269,930 more than three times the original cost of the equipment. Although the Procurement Committee had decided to proceed with the repair, no relevant technical evaluation committee reports or industrial reports had been prepared regarding the repair estimate that had been submitted.	It has been stated that the institute had informed that the prices submitted were comparable to the prevailing market rates, and accordingly, based on that recommendation, the Procurement Committee had decided to proceed with the repair of the said machine. And also the relevant repair work has been completed and the bills have been forwarded to the Department of Agriculture, Gannoruwa, and that the machine is currently functioning properly and being utilized for testing purposes.	Technical and industrial reports should be obtained when carrying out repair work.

1.5.13 Head 316 - Southern Provincial Department of Irrigation

(a) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) For the project to obtain close-range aerial photographs using drone cameras for preparing high contour	It has been stated that the relevant drone technology outputs will be properly	Necessary actions should be taken to ensure that the outputs are effectively made available to

maps required by the Southern Provincial Irrigation Department, tenders had been called on December 20, 2022, agreements signed on December 28, 2022, and a payment of Rs. 7,886,825 had been made on December 31, 2022 in here this action had been taken in deviation from the requirements of the Procurement Guidelines of the Democratic Socialist Republic of Sri Lanka. Furthermore, the close-range aerial photographs and other outputs obtained through the project had not been utilized in preparing plans related to irrigation management or for the development activities of the Irrigation Department.	organized and utilized in the future for the development purposes of the Department.	the Department.
(ii) Although a sum of Rs. 28,707,068 had been spent by the end of the year under review to upgrade the Website Management Information System (MIS) and the Geographical Information System (GIS) of the Southern Provincial Irrigation Department, the systems had remained idle, as it was not even possible to access them.	The institution has informed that discussions have been held with the relevant service provider to obtain revised quotations suitable for current requirements and to reactivate the system accordingly.	Necessary action should be taken to update and reactivate the website properly.
(iii) Based on the premise that it takes two days for one student to map one map related to the Geographic Information System (GIS) project conducted by the Southern Provincial Irrigation Department, a committee appointed under the leadership of the Director of Irrigation had made payments to 15 trainee students as follows: Rs. 2,000 per map for the months of March, April, and July 2017, and Rs. 700 per map for the months of May and June. Accordingly, a total amount of Rs.6,646,238 had been paid, along	Payments made at the rate of Rs.700 per map to the 15 students for 1,138 maps during the months of May and June were not for mapping activities, but for data collection based on those maps.	Since it has been observed that the relevant payments were made based on the number of maps completed, it is necessary to carry out a formal investigation into the matter.

with an additional Rs. 357,720 credited to the students' welfare fund. Based on these payments, approximately 4,000 maps should have been completed. However, it had been stated that during May and June 2017, the 15 trainees had mapped only about 1,138 maps. Yet, based on the assumption that 15 students working continuously for 60 days could have mapped only 450 maps, the claim that 1,138 maps had been completed was found to be questionable during the audit.

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

(a) Operational Inciciencies

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	As of October 31, 2024, a sum of Rs.301 million due to the Cooperative Development Fund from the audited accounts of cooperative societies in the Hambantota District had not yet been recovered. Furthermore, neither a time analysis related to this matter nor a report on the amounts receivable from currently inactive societies had been submitted.	At present, it has been observed that some of these societies lack the financial capacity to settle the outstanding amounts, and that there are no applicable legal provisions to recover funds misappropriated by certain societies.	Action should be taken to recover the funds that are due to the Fund.
(ii)	Although the general bank account of the Department of Cooperative Development, Hambantota District Office, showed a balance of Rs.20,149,419 as at December 31 of the year under review, no report had been prepared detailing the allocations related to settlement fees and unresolved court fine balances. Furthermore, requisition forms	It was revealed that, in relation to the societies proposed for liquidation, court fines amounting to Rs. 220,935, and from inactive societies, court fines totaling Rs. 1,152,113 remained outstanding. In addition, there was an unrecorded court fine balance of Rs. 4,687,394, and an amount	The relevant balances should be settled promptly.

normally used for the repayment of general deposits had been used when making payments for court fines and settlement fees. Furthermore, as at December 31 of the year under review, the balance of the cash book should have equaled the total of three balances namely, the settlement advance balance, the unsettled court fine balance, and the unsettled deposit balance. However, a difference of Rs.8,905,254 was observed among these balances.

of Rs. 1,576,129 relating to court fines not belonging to certain societies had been re-remitted to the office during the period 2010–2023. The balance shown in the monthly progress report amounted to Rs. 10,001,460.

(b) Irregular Transactions

Audit Observation

**Comment of the Chief Recommendation
Accounting Officer**

In order to resolve issues related to unsettled court fines and remittances, the Commissioner of Cooperative Development had, by letter dated July 20, 2023, informed that provisions were made from the Cooperative Fund to provide tea and lunch for participants of a special program. Accordingly, Assistant Commissioners were instructed to organize a workshop for court officers in three districts. An expenditure of Rs. 173,200 had been incurred from the Cooperative Development Fund for the Matara District in relation to this program. However, the Acting Assistant Commissioner of Cooperatives in Matara, by letters dated July 6, 2023, had informed cooperative societies that it was expected to collect a sum of Rs. 216,000 from them. Subsequently, on August 8, 2023, letters bearing the departmental letterhead had been sent to 61

It has been stated that the progress of this matter will be reported to the audit in the future.

Receipts should be issued for the funds collected, and the relevant details should be properly recorded.

cooperative societies within the Matara District requesting their contributions to the program. Accordingly, a total of Rs. 191,535 had been collected, however, no receipts had been issued for these collections. Furthermore, there was no information available regarding which officer was in possession of the collected funds or how those funds had been utilized.

1.5.15 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

(a) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) In providing housing assistance within the Waduramba Divisional Secretariat Division, priority should have been given to selecting the most suitable beneficiaries those who disable and living in unsafe houses under vulnerable conditions and their eligibility should have been further verified through field inspections and such assistance should have been provided only after further verification and confirmation through those field inspections. The three individuals selected to receive housing assistance had all been identified, in accordance with the issued guidelines, as the most eligible beneficiaries to receive such assistance.	Out of the five applications recommended by the Divisional Secretary, a field inspection was conducted on August 12, 2024, and the written approval of the Commissioner of Housing, together with the relevant file notes, had been obtained on August 30, 2024, regarding the beneficiaries selected as eligible to receive the housing assistance.	Action should be taken to achieve the objectives of the project.

- (ii) While the Southern Provincial Housing Commissioner had issued a set of guidelines on January 26, 2024, to all Divisional Secretaries in the province regarding the provision of housing assistance, In the year under review, for the purpose of conducting the Dakshinapaya Jana Mehewara mobile service program, the set of guidelines had been revised into two versions and issued on July 4, 2024, to the Divisional Secretariat Divisions in the Matara District. This program, which had not been included in the annual plan of the Department of Housing, had been implemented under the provisions of the Governor. During the sample audit inspection of the houses for which housing grants of Rs. 100,000 each had been provided, it was revealed that many recipients had received their housing assistance application forms through local political representatives as well as many of the housing assistance recipients were not, in fact, low-income earners genuinely eligible to receive such aid, and that the program had not been implemented with transparency or in a manner that achieved its intended objectives. Furthermore, all related expenses including officers' travel costs for field inspections, combined allowances, and fuel expenses had been incurred from the funds allocated annually for the provision of housing assistance.
- It was revealed that the set of guidelines dated January 26, 2024, relating to the provision of housing assistance, had been amended only for the Divisional Secretariat Divisions and resent on the same date to six Divisional Secretariat Divisions and the Southern Provincial Department of Housing had provided the housing assistance application forms only to the Office of the Governor's Secretary, for the purpose of formally distributing them to the beneficiaries.
- Action should be taken to correctly identify the beneficiaries most deserving of assistance and to provide housing aid accordingly.

(b) Operational Inciciencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although the Southern Provincial Ministry of Sports had charged fees from both private and government institutions under two separate rate categories for all musical and dance performances involving the Southern Provincial State Dance Troupe and Music Band, it was revealed that from January to September 2024, the troupes had participated in 45 dance performances and 29 musical performances without charging any fees. As a result, the Ministry had lost income amounting to Rs. 1,658,500 and Rs. 990,000, respectively.	It has been stated that action is being taken to review and revise the criteria, procedures, and applicable fee structure for providing the services of the State Dance Troupe and the State Music Band.	Fees should be charged in accordance with the prescribed rates.

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

(a) Deficiencies in contract administration

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) The official residence at the Kanchadeva Children's Home – Phase III had been contracted to a private institution located in the Galle area for a value of Rs. 8,186,979 (inclusive of VAT). Although the construction work was scheduled to be completed by December 30, 2021, the period had been extended by more than two additional months. However, since the relevant contractor abandoned the work midway, the contract had been terminated. However, although a sum of Rs. 2,036,250 had been paid to the contractor in three installments, the physical progress of the	It has been informed to the District Engineer's Office to prepare a new estimate for making this building suitable for use.	Action should be taken to complete the construction in accordance with the agreement.

project was only about 45 percent. Although it had been notified that the performance bond worth Rs. 355,955 submitted by the contractor would expire on August 2, 2022, the responsible officers had failed to pay due attention to this matter. As a result, the amount that could have been recovered from the contractor could not be collected. According to the calculations made by the Hambantota District Engineer's Office, it had been recommended to recover a sum of Rs.822,600 from the contractor for the portions of work that had not been completed. However, by the end of the year under review, no action had been taken to recover that amount. Furthermore, a payment of Rs. 1,360,785 had been made to the new contractor through the first bill. However, during the audit physical inspection, it was observed that the timber used for the windows, doors, and roof of the construction was of poor quality and did not meet the required standards. Accordingly, it was observed that the payment of Rs. 449,630 made under work item numbers 20, 26, 27, and 28 of the bill was unjustifiable.

1.5.17 Head 320 - Chief Secretariat of Southern Province

(a) Distribution of stamp duty revenue among local government institutions.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
According to the Southern Province Stamp Duty Statute No. 01 of 1994, and in terms of the provisions of the Southern Province Finance Statute No. 07 of 1990 and the Southern Province Finance (Amendment) Statute No. 02 of 1992, In an instance where the Provincial Council has charged and collected a certain amount of stamp duty for a	As at December 31, 2024, the balance consisted of Rs. 1,121,074,821 in stamp duty and Rs. 65,320,914 in court fines. It has been stated that this balance has since been settled.	Action should be taken in accordance with the provisions of the Southern Province Finance Statute No. 07 of 1990 to remit the stamp duty revenue to the respective local government institutions.

deed or document related to the transfer of an immovable property located within the administrative limits of a local government institution in the Southern Province, and has credited that amount to the Southern Provincial Council Fund, And when the Provincial Council has collected such stamp duty, it may be transferred to the respective local government institution if that institution submits a written claim for ownership to the subject Minister within a period of two years from December 31 of the year in which the stamp duty was collected. However The amount of stamp duty revenue not remitted by the Treasury of the Southern Provincial Council to various local government institutions was Rs.1,121 million.

(b) Management Inciciencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Contrary to the provisions stated in paragraph 04(c) of the Budget Circular No. 01/2023 dated February 09, 2023, issued by the Chief Secretary (Budget), a total sum of Rs.2,285,775 had been paid by the Office of the Chief Secretary during the year under review for 15 training programs conducted for staff training.	It has been stated that local training opportunities were provided under staff training expenses in accordance with the provisions of the circular.	Training activities should be carried out in compliance with the provisions of the circular.
(ii) According to paragraph 02 of the guideline series issued for employers regarding the deduction of Advance Personal Income Tax (A.P.I.T.) from employment income, as per Circular No. SEC/2023/E/01 dated March 29,	It has been stated that the heads of the institutions to which the officers have been transferred have been informed in writing to recover the outstanding amounts from the respective	Action should be taken in accordance with the guidelines.

2023, issued by the Commissioner General of Inland Revenue, the Office of the Chief Secretary had failed to deduct personal income tax on an amount of Rs. 2,768,559 paid as incentives, resource person allowances, and procurement committee allowances to 16 officers during the period from January 2023 to October 31, 2024.

officers and remit them to the Department of Inland Revenue, and that the retired officers have paid their due outstanding amounts and confirmed the payments in writing.

(c) Procurements

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) According to the Memorandum of Understanding entered into between the Governments of India and Sri Lanka, under the financial limit of Rs. 300 million dated March 28, 2022, the Southern Provincial Ministry of Education and the Provincial Department of Education intervened to establish 200 smart classrooms and modern computer laboratories in selected schools, a procurement committee consisting of three members chaired by the Chief Secretary had selected two institutions, and agreements valued at Rs. 238,078,697 were entered into with those institutions in March 2024, although the submission of samples for evaluation prior to placing the orders was a mandatory requirement for each package, there was no evidence to confirm that such samples had been received or tested. However, on June 19, 2024, the Southern Provincial Ministry of Education had received 2,200 tablet computers, 200 charging stations, and 200 smart boards ordered from	Since it is not possible to obtain only samples without issuing a formal order, entering into an agreement, and obtaining performance security when procuring technical equipment, formal orders have been issued and samples have been requested accordingly and it has been stated that action has been taken to test the samples received, and since the order for the Wi-Fi access points had to be placed with an Indian institution, the necessary arrangements were made accordingly. The equipment was delivered to the Ministry on January 29, 2025.	Action should be taken in accordance with the procurement guidelines and the terms of the agreements to achieve the objectives of the project.

one institution. The 200 “Wi-Fi access point for 30 users” devices ordered from the other institution had not been received even by the end of the year under review. Although more than one and a half years had passed since the signing of the agreement, the ordered goods had not yet been supplied or completed.

(d) Unresolved Audit Paragraphs

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Although without preparing a project report, based on a proposal made by the Governor, an agreement had been entered into in October 2020 with a company for Rs. 14,008,176 to develop a computerized postal management system integrating all government institutions in the Southern Province. However, a sum of Rs. 27,984,663 had been spent on the project in 2021, the work had not been completed within the period specified in the agreement. Furthermore, 86 scanners valued at Rs.21,140,000 had been purchased for this project, and 70 of them were distributed on December 22 and 23, 2022, to institutions expected to implement the project. However, since the project had not been implemented up to the end of the year under review, those machines could not be effectively utilized for the project, and the intended objectives of the project could not be achieved.	It has been stated that, since the postal system had not been completed and handed over, the remaining payments could not be made, and that the contract period had expired. Accordingly, a letter to that effect had been sent to the relevant institution on March 14, 2025, and as per the reply received from that institution on April 17, 2025, the matter has been referred to the Legal Division to obtain the necessary observations and recommendations for further action.	A feasibility study should be conducted prior to implementing the project and action should be taken accordingly. Necessary actions should be taken to develop the postal management system effectively.
(ii) A contract for the construction of the front side boundary wall of the Office of the Chief Secretary had been awarded to a private institution at a VAT-excluded price of Rs.37,362,532. Including VAT amounting to Rs. 2,989,002 and a provisional sum of Rs.3,735,465 for contingencies, the total	It has been stated that a request was made by letter dated November 18, 2024, to the Engineering Services Office to conduct an independent inspection.	Necessary action should be taken promptly.

contract value amounted to Rs. 44,087,000. The construction work commenced on August 3, 2021, and was scheduled to be completed within 240 days, by March 31, 2022. However, the construction period had been extended twice in 2022 for a total of 4½ months. Nevertheless, the construction work was halted on August 2, 2022, and the remaining portion of the work was considered as the second phase and awarded as a new contract to the same institution at a tax-excluded price of Rs.34,368,110. Including VAT amounting to Rs. 4,124,173, a 10% provisional sum of Rs.3,436,811, and a 10% price escalation of Rs.3,436,405, the total project cost amounted to Rs. 45,365,499. Although the work was scheduled to be completed by December 20, 2022, with three extensions granted to the contract period, the construction work was finally completed on March 31, 2023. It was observed that an excess payment of Rs.16,326,201 had been made to the contractor in relation to the first and second contracts, and including VAT, the total overpayment amounted to Rs. 18,775,131.

1.5.18 Head 322 - Southern Provincial Office of the Deputy Chief Secretary (Engineering Services)

(a) Irregular Transactions

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) At the Office of the Deputy Chief Secretary (Engineering Services) of the Southern Province, a fence with wire mesh covering was constructed on the southern side of the office premises by an officer serving in that office. For this purpose, an agreement had been entered into with an institution on August 15, 2024, for Rs. 729,000, and a payment of Rs.	It has been stated that, in response to requests made for the construction of a security fence, permission had been granted to install a temporary wire fence inside the existing front boundary wall of the office, ensuring that its height does not exceed that of the wall. For this project, price quotations had	Funds should be spent only on effective and essential activities, taking into account the prevailing economic and financial conditions.

271,350 had been made. However, according to Regulation 14.1 of the Planning Regulations prepared for the Galle Fort Special Regulatory Zone, permission had not been granted for the construction of boundary walls or wire fences on the sides of buildings and lands facing the roads. Allocating provisions amounting to an estimated value of Rs. 1,047,513 for activities that were non-essential and not in line with the intended objectives was problematic.

been obtained from registered suppliers of the Office of the Deputy Chief Secretary and the Office of the Chief Secretary, and based on the recommendations of the Technical Committee, the construction work had been awarded to a private institution.

- (ii) Contrary to paragraph 4.2 of National Budget Circular No. 01/2024 dated January 10, 2024, issued by the Ministry of Finance, Economic Stabilization, and National Policies, it was observed that the former accounting officer of the Office of the Deputy Chief Secretary (Engineering Services), Southern Province, had taken pool vehicles for private travel on weekends. He had driven the vehicles himself or had them driven by office drivers, recording in the daily running charts that the vehicles were used for official site visits, and had obtained the signature of an engineering assistant for confirmation. Despite using the institution's pool vehicles on weekends while also receiving official vehicle entitlements and fuel allowances, no disciplinary action had been taken against this officer for misconduct, as stipulated in Section 31.1.12, Part II of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.

It has been stated that a committee was appointed by letter No. CSS/2/2/232 dated March 3, 2025, issued by the Chief Secretary of the Southern Province, to conduct an independent investigation into the matter, and that further action will be taken promptly based on the committee's report.

According to the circular, officers who receive a monthly transport allowance should not be provided with pool vehicles. The investigation should be completed promptly, and necessary action should be taken in accordance with the provisions of the Establishments Code.

1.5.19 Head 3

24 - Southern Provincial Revenue Department

(a) Management Inefficiencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) In accordance with the powers vested in the Governor of the Southern Province under Articles 154(c) and 154(e) (2) of the Constitution of the Democratic Socialist Republic of Sri Lanka, and under Section 80 of Chapter XXV of the Southern Province Finance Statute No. 07 of 1990, four retired government officers were appointed as Chairman and members, and a serving government officer was appointed as Secretary to the Committee, for a period of three years effective from June 21, 2023, to examine appeals. Since the review committee had held 30 meetings from July 2023 to October 2, 2024, in relation to only one file, a total sum of Rs. 461,500 had been paid by the Provincial Department of Revenue as committee allowances. Due to the failure to establish proper procedures and a specific timeframe for carrying out the tasks submitted to the review committee, Provincial Council funds had been utilized inefficiently, resulting in expenditure being incurred on 30 occasions for the same task.	It has been stated that the Provincial Department of Revenue has no authority to influence or control the appointment of this committee, the conduct of the review board, its planning, or its procedures.	Proper procedures should be established to ensure that activities are carried out within a specified timeframe.

(b) Operational Inciciencies

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The Hambantota Regional Office of the Provincial Department of Revenue had failed to examine the	It has been stated that copies of the relevant deeds are required to open the files, and although	Action should be taken promptly to recover the outstanding stamp duties.

- files opened in respect of 27 land exchange transactions valued at a total of Rs. 157,878,400 carried out by notaries outside the Southern Province during the period from 2020 to 2023, in order to verify whether the relevant stamp duties had been duly paid and to recover any stamp duty deficiencies.
- reminders have been sent to the respective Land Registrars, those copies have not yet been received.
- (ii) According to Section 3(1) of the Southern Provincial Council Pawnbrokers Statute No. 01 of 2013, two pawning centers within the jurisdiction of the Beliatta Pradeshiya Sabha and 72 cooperative rural banks belonging to seven multipurpose cooperative societies in the Hambantota District had been operating businesses without obtaining licenses.
- It has been stated that notices and the relevant application forms had been issued instructing them to obtain licenses; however, they have not yet obtained the licenses.
- Action should be taken in accordance with the provisions of the statute relating to the operation of pawnbroking businesses.
- (iii) According to Section 52 of Chapter XVII of the Southern Province Finance Statute No. 07 of 1990 and paragraph 1.2.4 of the Stamp Duty Procedure of the Southern Provincial Department of Revenue, the Hambantota Regional Office of the Provincial Department of Revenue had failed, even by the end of the year under review, to open files and recover penalties for the delayed payment of stamp duties amounting to Rs.1,199,200 in respect of 52 deeds sent by the Tangalle Land Registry Office on August 28, 2024, relating to the six-month period from July to December 2023.
- It has been stated that, out of the 52 deeds, summons had been issued for 13 files for the first time and for 20 files for the second time, 2 files had been selected for field inspection, 14 files, for which delayed and additional assessments had been issued, had also been summoned, while 2 files had not yet been responded to, and 1 file had been returned undelivered after being sent to the liable party.
- Action should be taken to open the relevant files and recover the penalty payments.

(c) Outstanding revenue

Audit Observation

According to Provincial Financial Rule 116.1, revenue collection officers should pay close and careful attention to the recovery of outstanding revenue, and action should be taken to recover such outstanding amounts either through legal means or by other appropriate methods, by the end of the year under review, the total amount of outstanding revenue to be recovered under four revenue codes was Rs.289.3 million, of which Rs. 137.8 million represented arrears outstanding for more than three years.

Comment of the Chief Accounting Officer

It has been stated that action is being taken to recover the outstanding taxes that have not been referred to legal proceedings, in accordance with the provisions of the Southern Province Finance Statute No. 07 of 1990.

Action should be taken to recover the outstanding revenue, and legal action should be initiated in respect of the revenue that cannot be recovered.

(d) Unresolved audit paragraph

Audit Observation

- (i) In relation to the transfer of land owned by a private tea factory to another party, the initial assessed value was Rs. 354,150,000, while the reassessed value given after an appeal was Rs. 276,000,000. Accordingly, there was a difference of Rs. 78,150,000 between the two valuations provided on two occasions by two officers of the same grade in the Provincial Department of Revenue. Regarding this land, a special committee appointed by the Provincial Commissioner of Revenue later provided a reassessment, according to which the property was valued at Rs. 248,000,000. Similarly, in response to a request made for the valuation of the property by the Valuation Department, that

Comment of the Chief Accounting Officer

It was stated that the department is currently taking measures to prevent such situations by introducing appropriate criteria, providing all *necessary guidelines regarding* procedures to be followed and data collection, and thereby minimizing issues that had arisen due to valuations being made based on the personal opinions of valuation officers.

The assessment of assets should be carried out in a consistent manner, based on well-defined criteria.

department had assessed the property at a value of Rs. 240,000,000. Accordingly, since providing property valuations based on the personal opinions of individual officers without establishing formal criteria for the valuation process is considered an irregular practice, no action had been taken to introduce a proper procedure or criteria for accepting property valuations.

- (ii) According to the application submitted to the Provincial Department of Revenue on January 9, 2023, for obtaining certification along with the draft agreement, the property owned by a private institution and transferred to another private institution was classified as follows, immovable property valued at Rs. 104,000,000, consisting of the tea factory (including buildings and cultivated land), movable property valued at Rs.232,000,000, consisting of machinery, equipment, and fittings, vehicles valued at Rs. 16,000,000, and goodwill valued at Rs. 12,000,000. However, the committee appointed by the Provincial Commissioner of Revenue had, on January 31, 2023, issued a certificate stating that the total value of all the properties was Rs. 243,000,000 and that the stamp duty payable amounted to Rs. 9,719,000, the applicant did not agree with this, an appeal was submitted on February 9, 2023. Accordingly, although an appeal hearing had been held, since no agreement was reached, the applicant was notified under Section 79(11) of the above Act to pay the required stamp duty in full within seven days.
- It was stated that legal consultations had been sought from the Attorney General regarding the appeal submitted by the applicant, and that action is being taken to proceed with the necessary further steps accordingly.
- Action should be taken in accordance with the provisions of the Finance Act.

The applicant had failed to comply accordingly. Consequently, the unpaid stamp duty amounting to Rs.9,719,000 is observed to be stamp duty evaded under the provisions of the Finance Act, and no formal action had been taken to recover the said amount.

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 surplus of Rs. 4,104,123,843 as compared with the corresponding deficit of Rs. 850,674,421 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 allocated to statutory institutions under the Southern Provincial Council should be utilized for achieving the objectives and functions of those institutions, a sum of Rs. 782,233,618 had been invested in fixed deposits without being used for those intended purposes.

Comment of the Chief Accounting Officer

It was stated that action would be taken to resolve the matter in the future.

The relevant funds should be utilized to achieve the institutional objectives.

3.2 Other Advance Accounts

Audit Observation

As at December 31 of the year under review, the balance of the Provincial Public Officers' Advance Accounts had been recorded as Rs. 1,929,281,694. Out of this, a total outstanding loan balance of Rs. 57,124,095 remained recoverable from 2,378 officers who had been transferred, retired, deceased, resigned and interdicted.

Comment of the Chief Accounting Officer

It was stated that action is being taken to resolve the matter in the future.

Actions should be taken promptly to recover the outstanding loan balances.

4. Operational review

4.1 Performance

4.1.1 Government Grants

Source	Amount Approved Rs.	Amount Spent Rs.	Underutilization Rs.
Provincial Specific Development Grants (PSDG)	2,249,000,000	1,711,030,828	537,969,172
Criteria Based Grants (CBG)	505,000,000	402,235,167	102,764,833

Audit Observation

For the implementation of the Southern Province Development Plan, during the year under review, the Central Government approved provisions amounting to Rs. 2,249 million for the Provincial Specific Development Grant (PSDG) and Rs. 505 million for the Criteria-Based Grant (CBG), respectively, Out of those provisions, only Rs.1,711 million and Rs. 402 million had been utilized during the year under review. As a result, Rs. 538 million from the Provincial Specific Development Grant (PSDG) and Rs. 103 million from the Criteria-Based Grant (CBG) remained underutilized.

Comment of the Chief Accounting Officer

It was reported that the total underutilization under the Provincial Specific Development Grant (PSDG) and the Criteria-Based Grant (CBG) amounted to Rs. 641 million.

Necessary measures should be taken to ensure the maximum utilization of the provisions as planned.

4.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review, 1406 proposals with an estimated value of Rs.2,690.56 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) Completed more than 50 per cent	96	01	97	450.40
(ii) Fully completed	1208	06	1214	1,947.88
(iii) Completed less than 50 per cent	61	-	61	255.85
(iv) Not Commenced	34	-	34	36.43
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Total	1399	07	1406	2,690.56
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Matters observed in this regard are as follows.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(a) Under the 2024 Provincial Development Plan, out of the 1,406 project proposals approved under the Provincial Specific and Criteria-Based Programs, work on 1,214 projects had been fully completed as of December 31 of the year under review. And it was also observed that 158 project proposals were in progress, while 34 project proposals had not yet been commenced. Furthermore, the respective ministries had not carried out proper supervision and follow-up activities in a systematic and quantitative manner to ensure the completion of those projects.	It was stated that each ministry conducts monthly progress review meetings and reports to the Office of the Planning Secretary, based on which follow-up activities related to project implementation are carried out. In addition, quarterly progress review meetings are conducted by the Office of the Planning Secretary.	Follow-up activities should be carried out in a systematic manner, and action should be taken to implement and complete the planned project proposals within the year.

- (b) The primary objective of preparing the Provincial Development Plan is to identify and document, according to priority needs, the projects that should be given prominence particularly those related to enhancing the revenue of the province. As no specific timeframe had been determined for revising the development projects included in the Provincial Development Plan prepared for the year, amendments had been made up to December 31 of the year under review.
- Although the time period granted for revising projects at the time of project approval had been specified as up to August 30, 2024, revisions had been made to the projects thereafter due to various reasons.
- The development plan should be prepared by accurately identifying projects that are feasible for implementation.

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	Number of excess employees
			Permanent	Casual/Substitute/ Contract		
(i)	Provincial Council Ministries and Departments	46,404	46,132	237	05	-
(ii)	Local Authorities	5,868	5,988	129	-	249
(iii)	Institutions established by statutes	595	405	13	177	-
Total		52,867	52,525	379	182	249

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) The officer serving as the Chief Management Assistant of the Ruhunu Tourism Bureau had been serving as a Management Assistant since 2006 and, from January 4, 2019, had been assigned duties covering the post of Chief Management Assistant a position not approved by the Department of Management Services. The officer had served for a total period of 18 years. In accordance with the provisions of paragraph 3.1 of the Annual Transfer Circular for Officers of the Southern Provincial Council and the Administrative Circular No. 03/2023 issued by the Chief Secretary on December 1, 2023, transfers should have been effected; however, no such action had been taken.	The post of Chief Management Assistant is not a position approved by the Department of Management Services, but rather a nominal post assigned as an internal administrative arrangement to facilitate the functions of the office and it was also stated that no additional salary or allowances are paid for serving as Chief Management Assistant, and since this officer has applied for the 2025 annual transfers, necessary action will be taken accordingly once the relevant transfer orders are issued.	Action should be taken in accordance with the provisions of the circular.
(ii) Officers without specialized knowledge in the relevant subject areas had been appointed as officers-in-charge of production institutions belonging to the Department of Industrial Development, namely the Paragahathota Pottery Production Center, the Walgama Ruhunu Ransalu Center, and the Denipitiya Coir Center.	It was stated that necessary action will be taken to resolve the matter in the future.	Officers with subject-related knowledge should be appointed as officers-in-charge.

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 ,Deputy Principals/ Assistant Principals	1347	1122	225	-
(ii)	Teachers	23,596	22,993	603	-
(iii)	Minor employees and support staff	4,103	6,581	-	2,478
	Total	29,046	30,396	828	2,478

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	A teacher transfer procedure applicable to Southern Provincial Council schools has not yet been prepared and approved to be effective at present, and although the Ministry of Education, by Circular No. 2007/20 dated December 13, 2007, had issued a set of guidelines outlining the fundamental principles for formulating a National Teacher Transfer Policy, the instructions provided in clause 3.2 of that circular, which relate to determining the period of service of teachers, had not been properly followed.	It was stated that action will be taken to resolve the matter in the future. Action should be taken in accordance with the provisions of the circular.	It was stated that action will be taken to rectify the matter in the future. Action should be taken in accordance with the provisions of the circular.
(ii)	Contrary to clause 5.3 of the annual transfer procedure for officers in the Principals' Service approved by the Southern Provincial Secretary of Education, the principal of a school in the Galle area had been serving continuously at the same school for nearly 15 years since being appointed to the Principals' Service on November 17, 2009.	It was stated that the authority for appointments of graded principals lies with the Ministry of Education, and that placements and transfers are carried out by the Ministry itself. Accordingly, recommendations regarding the relevant transfers have already been made and referred to the Ministry of Education.	Action should be taken in accordance with the annual transfer procedure.

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	1,369	1,190	179
Tertiary level	195	90	105
Secondary level	5,288	4,766	522
Primary level	3,255	2,955	300
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	10,107	9,001	1,106
	=====	=====	=====

Audit Observation

Action had not been taken to fill 1,106 vacancies that existed across various service categories.

Comment of the Chief Accounting Officer

It was stated that continuous requests have been made to obtain approval to complete the required cadre for the Southern Province.

Recommendation

Action should be taken to fill the existing vacancies.

5. Accountability and Good Governance

5.1 Rendering public services

Audit Observation

Out of the 49 local authorities in the Southern Province, 17 had not implemented a proper waste management process. As a result, the Department of Local Government had failed to achieve the objective of “ensuring that every local authority implements a formal waste management process.”

Comment of the Chief Accounting Officer

It was stated that the implementation of a proper waste management system had been delayed due to an obstacle such as the unavailability of land in certain local authorities, shortage of staff, public protests, lack of machinery, equipment, and vehicles required for systematic waste management, as well as the absence of modern technology.

Recommendation

A proper waste management process should be implemented in all local authorities.

5.2 Budgetary Control

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Under 26 expenditure heads, a total sum of Rs. 5,695,139,004 from the net provisions had remained unutilized, with the unutilized amounts ranging between Rs. 1,489,895 and Rs. 1,614,696,667.	Limitation of expenditure for supply services during the year had resulted in payments being made through imprests due to the non-submission of vouchers, Factors such as the implementation of software development activities through the Provincial Rural Development Fund, a reduction in maintenance expenses compared to the previous year, the absence of losses, and the failure to carry out activities related to building acquisitions had contributed to the savings of provisions.	Adequate provisions should be allocated to meet the requirements.

5.3 Action Plan

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Although in 2024, 44 targets were expected to be achieved in areas such as the development of local authority infrastructure, improvement of sanitation facilities and solid waste management, strengthening of local government institutions, capacity building and human resource development, and the implementation of law and regulation, Since the Department of Local Government had not prepared an action plan that clearly defines and specifies the responsibilities to be carried out by the Assistant Commissioners' offices in achieving those targets, there was no proper mechanism in place to evaluate the contribution made by the Assistant Commissioners' offices toward achieving the main objectives of the Department.	It was stated that, according to the Department of Local Government's Strategic Development Plan, the annual action plan is implemented through the district offices under the supervision of the Department; therefore, separate annual action plans are not prepared for each district.	An action plan clearly defining and specifying the responsibilities to be carried out by the Assistant Commissioners' offices should be prepared by the Department and provided to those offices, and a mechanism should be established to evaluate their performance.