

## **Uva Provincial Council-2018**

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### **1. Financial Statements**

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#### **1.1 Qualified Opinion**

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The audit of the financial statements of the Uva Provincial Council for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of financial performance and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(3) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 23 (1) of the Provincial Council Act, No.42 of 1987 and provisions of the National Audit Act No. 19 of 2018. The summary report in terms of Section 23(2) of the Provincial Council Act and provisions in Sub-section 11 (1) of the National Audit Act No. 19 of 2018 was issued on 29 May 2019 and the Detailed Management Audit Report in terms of Sub-section 11 (2) of the National Audit Act No. 19 of 2018 was issued on 30 May 2019. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Sub-section 10 (1) of the National Audit Act.

In my opinion, except for the effects of the matters described in the Paragraph 1.6 of this report, the accompanying financial statements give a true and fair view of the financial position of the Uva Provincial Council as at 31 December 2018, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

#### **1.2 Basis for Qualified Opinion**

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

#### **1.3 Responsibility of Management for the Financial Statements**

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The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles 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.

Those charged with governance of each institution including the Provincial Treasury are responsible for overseeing the Provincial Council's financial reporting process.

As per Sub-section 16(1) of the National Audit Act No. 19 of 2018, the Uva 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.

#### **1.4 Auditor's Responsibilities for the Audit of the Financial Statements**

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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 an auditor's report 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 Provincial Council's 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 Provincial 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 Report on Other Legal and Regulatory Requirements**

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The financial statements presented by the Provincial Council is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

## 1.6 Comments on Financial Statements

### 1.6.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Value of the library books belonging to the Provincial Library Service Board of the Uva Province had not been identified and stated in the financial statements as at 31 December 2018.	Value of the library books as at 31 December 2018 should be disclosed in the financial statements.	It is expected to account the value of library books in future.
(b) According to the Appropriation Account of the Ministry of Sports and Youth Affairs, Tourism, Transport, Cultural and Textile, the credit made to the General Deposit Account during the year under review amounted to Rs.16,651,685, whereas it was Rs.18,150,786 as per the consolidated financial statements, thus observing a difference of Rs.1,499,101. Further, according to the Appropriation Account, the debits stood at Rs.18,150,786, and it was Rs.16,651,685 in accordance with the consolidated financial statements, thus observing a difference of Rs.1,499,101.	The accounts details furnished by the institutions should be in line with the details disclosed by the consolidated financial statements.	This difference had occurred owing to exchanging debits and credit notes within the accounts of the relevant institute.
(c) Although debits charged to the imprest Account of a Ministry and a Department during the year under review totalled Rs.5,279,371,144 according to the Appropriation Account, it had been Rs.128,735,964 according to the consolidated financial statements. Accordingly, a difference of Rs.5,150,635,180 was observed.	The accounts details prepared by the Departments should be in similar with the consolidated financial statements.	An error occurred in entering debit and credit notes in the preparation of Appropriation Account of the Ministry had resulted in this difference.

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| (d) | Although credits charged to the Imprest Account of a Ministry and a Department during the year under review totalled Rs.5,288,469,527 according to the Appropriation Account, it had been Rs.18,208,961 according to the consolidated financial statements. Accordingly, a difference of Rs.5,270,260,566 was observed | The accounts details prepared by the Departments should be in similar with the consolidated financial statements.         | An error occurred in entering debit and credit notes in the preparation of Appropriation Account of the Ministry had resulted in this difference. |
| (e) | In comparing imprest balances of a Ministry and a Department according to the Appropriation Account with the imprest balances according to the consolidated financial statements as at 31 December of the year under review, a difference of Rs.122,550,866 was observed.                                              | The accounts details prepared by the Departments should be in similar with the consolidated financial statements.         | This is an error occurred in entering data in the preparation of Appropriation Account.                                                           |
| (f) | Since balance payable as at 31 December of the year under review had not been indicated in the Commercial Advance Account prepared by 03 institutions of the provincial council, the payable advance balance as per the consolidated financial statements amounted to Rs.4,777,252.                                    | The details of the institution should be in similar with such details disclosed by the consolidated financial statements. | Action will be taken to recover the dues in future.                                                                                               |
| (g) | The unsettled imprest balances relating to 08 institutions of the Provincial Council including a Divisional Secretariat stated in the financial statements of the Provincial Council as at 31 December of the year under review totalled Rs.153,661,846.                                                               | Action should be taken to settle the imprest balances at the end of year.                                                 | Details indicated in the financial statements are correct.                                                                                        |
| (h) | The loan amounting to Rs.40,326,651 stated as assets in the financial statements of the Provincial Council over a period of 10 years had not been recovered even as at 31 December of the year under review.                                                                                                           | Action should be taken to recover the outstanding loan balances.                                                          | This information is correct.                                                                                                                      |

- (i) Formal evidence had not been furnished to the effect that farmers had accepted the goods and equipment worth Rs.4,703,540 belonging to 19 different items which had been purchased using financial provisions of the previous years and distributed among the farmers by the Assistant Director of Agriculture Office, Badulla.
- The acceptance of the goods should be confirmed at the time of their distribution.
- The lists relating to the distribution of goods among the farmers have been submitted.

## 1.6.2 Non-compliance

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

The following instances of non-compliances were observed in audit

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Chief Accounting Officer
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(a) Finance Commission Circular No.2016/01 dated 30 December 2015.	Under the criteria based development projects, a sum of Rs.3,283,428 or 53.7 per cent of the total expenditure exceeding the spendable expenditure limit had been incurred for the social infrastructure facilities and expenditure less than 10 per cent of the approved expenditure limit for the self-employment development and religious, cultural and aesthetic affairs had been incurred. However, no expenditure whatsoever had been incurred on irrigation and agricultural activities.	Action should be taken in accordance with the relevant circular.	In presenting proposals by the Council Members, more proposals have been made on the criterion of social infrastructure facilities.

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| (b) | Land Commissioner's Circular No.96/05 dated 01 August 1996.                                           | The Divisional Secretariats Wellawaya and Ella had not established a land tax unit.                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Action should be taken in accordance with the relevant circular. | Due to lack of adequate space facilities within the Divisional Secretariats, the tax unit was not established and action will be taken to reserve a separate location for this purpose.                                                                                                                                  |
| (c) | Internal Circular No.2017/02 dated 29 May 2017 of the Provincial Director of Education, Uva Province. | In the implementation of training programmes, under no circumstance should the bills be presented for reimbursements after being made payments for meals from one's personal money and the payments should be made only to the relevant supplier. Nevertheless, the cheque relevant to the settlement of expenditure on meals amounting to Rs.216,300 in respect of sports competitions and 03 training camps conducted in the year 2017 by the Monaragala Zonal Education Office had been issued in favour of the Assistant Director (Sports) | Cheques should be issued in favour of the supplier institution.  | In the conduct of training programmes, in most instances provisions are received thereon after the conduct of the programmes. Therefore, having incurred all expenses by the Director of Education in charge of the subject from his personal funds, it had been subsequently settled by issuing a cheque in his favour. |
| (d) | Uva Provincial Business Name Statute No.01 of 1996.                                                   | Since a procedure on the matters such as the persons and business companies to be registered, procedure to be adopted in case of any changes in the business name, faults and penalties relating to the registration and provisions for the elimination of a business name had not been formulated, it had not been possible to identify business owners who acted in contrary to this Ordinance in the Divisional Secretariat Division, Ella and to take relevant steps against them.                                                         | Action should be taken in accordance with the relevant Statute.  | Comments have not been made.                                                                                                                                                                                                                                                                                             |

## 2. Revenue Management

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The Uva Provincial Council had not passed Statutes on 13 Revenue Items assigned to the Provincial Councils by the 13 <sup>th</sup> Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.	Statutes should be passed in connection with Revenue Items assigned to the Provincial Councils.	Ministries and Departments have been acknowledged to pass the enactments.
(b) The estimated revenue of 18 Revenue Items included in the revenue estimate for the year 2018 had not been stated.	The estimated revenue relevant to Revenue Items included in the Annual Estimate should be included.	The standardized revenue item numbers should be included in the estimate.
(c) In terms of Section 37 of the Uva Provincial Financial Statute No.08 of 1990, in the recovery of additional stamp duty for the stamp duty recovered for the Grants relevant to a transfer of immovable property situated Uva Province by valuing the same by the Revenue Commissioner, reports of a qualified professional assessor had not been obtained for the revaluation.	Action should be taken in terms of Section 37 of the Provincial Financial Statute.	Action will be taken to train the Provincial Revenue Valuation and Tax Officers.
(d) Without being established a Provincial Revenue Encouragement Fund in terms of Section 104 (a) of Uva Provincial Financial Statute No.08 of 1990, incentive of Rs.14,214,552 had been paid to the officer of the Provincial Revenue Commissioner's Department in the years 2010,2011, 2015,2016 and 2017.	In terms of Section 104 (a) of Provincial Financial Statute, a Provincial Revenue Encouragement Fund should be established.	Action will be taken to obtain approval of the Governor in future.
(e) A sum of Rs.147,148 receivable relating to the training programmes conducted in the Uva Provincial Management Development	Necessary steps should be taken for the recovery of outstanding funds.	Action will be taken to recover the balance of Rs. 97,126 existed as at 30 April 2019.

Institute during the period 2010-2016 had not been recovered even by 31 December 2018.

- (f) The accumulated revenue in arrears relating to 05 Revenue Items as at 31 December of the year under review amounted to Rs.147,876,075. Revenue in arrears should be recovered. Action is being taken to recover the revenue in arrears.

### 3. Financial Review

#### 3.1 Financial Results

According to the financial statements presented, the operations of the Provincial Council Fund for the year ended 31 December 2018 had resulted in a deficit of Rs.3,300,892,380 as compared with the corresponding deficit of Rs.207,181,480 for the preceding year.

#### 3.2 Income and Expenditure

According to the financial statements presented, a summary on income and expenditure of the year under review and the presiding year is indicated below.

	2018			2017		
	<u>Budgeted</u> Rs.	<u>Actual</u> Rs.	<u>Variance</u> Rs.	<u>Budgeted</u> Rs.	<u>Actual</u> Rs.	<u>Variance</u> Rs.
<u>Income</u>						
Tax Income	3,711,650,000	3,137,004,798	(574,645,202)	3,068,195,000	2,925,591,682	(142,603,318)
Non-tax Income	608,350,000	570,836,175	(37,513,825)	371,805,000	561,658,971	189,853,971
Government Grants	19,566,798,000	19,053,001,000	(513,797,000)	18,820,751,000	19,456,886,980	636,135,980
<b>Total</b>	<b><u>23,886,798,000</u></b>	<b><u>22,760,841,973</u></b>	<b><u>(1,125,956,027)</u></b>	<b><u>22,260,751,000</u></b>	<b><u>22,944,137,633</u></b>	<b><u>683,386,633</u></b>
<u>Expenditure</u>						
Personal Emoluments	490,691,000	399,828,138	90,862,862	15,196,717,000	16,505,876,088	(1,309,159,088)
Other Recurrents	19,540,710,000	19,907,077,670	(366,367,670)	4,141,994,000	3,563,043,189	578,950,811
<b>Sub Total</b>	<b>20,031,401,000</b>	<b>20,306,905,808</b>	<b>(275,504,808)</b>	<b>19,338,711,000</b>	<b>20,068,919,277</b>	<b>(730,208,277)</b>
Capital Expenditure	3,855,379,000	2,937,300,565	918,078,435	2,993,750,000	3,390,850,109	(397,100,109)
<b>Total</b>	<b><u>23,886,780,000</u></b>	<b><u>23,244,206,373</u></b>	<b><u>642,573,627</u></b>	<b><u>22,332,461,000</u></b>	<b><u>23,459,769,386</u></b>	<b><u>1,127,308,386</u></b>



Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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<p>The total income of the year amounted to Rs.22,760,841,973 and Rs.19,053,001,000 of which was Government Grants. A sum of Rs.3,137,004,798 or 14 per cent of the total income represented the tax income while Rs.570,836,175 or 2 per cent of the total income represented the non-tax income. Out of the total income of the year amounting to Rs.22,760,841,973 a sum of Rs.20,306,905,808 or 89 per cent had been utilized for the recurrent expenditure and Rs.2,937,300,565 or 13 per cent had been utilized for capital expenditure. Adequate amount of income had not been earned from the Revenue Items assigned to the Provincial Councils by the 13<sup>th</sup> amendments to the Constitution.</p>	<p>It is appropriate to earn adequate income from the Revenue Items assigned to the Provincial Council.</p>	<p>Comments had not been made.</p>

**4. Operating Review**

**4.1 Performance**

**4.1.1 Government Grants**

The details on the Government Grants received for the development activities of the Provincial Council and their utilization are as follows.

Audit Observation				Recommendation	Comments of the Chief Accounting Officer
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<u>Source of Income</u>	<u>Amount Approved</u>	<u>Amount Spent</u>	<u>Underutilization</u>		
	Rs.	Rs.	Rs.		
Criteria Based Grants	559,600,000	400,200,000	159,400,000	Provisions should be utilized in maximum capacity.	Comments have not been made
Provincial Specific Development Grants	3,172,997,000	1,982,600,000	1,190,397,000		
World Bank Assistance	546,800,000	401,800,000	145,000,000		
Total	<u>4,279,397,000</u>	<u>2,784,600,000</u>	<u>1,494,797,000</u>		

#### 4.1.2 Provincial Development Plan

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

Under the Provincial Development Plan for the year under review, 3,481 project proposals had been approved at an estimated value of Rs.3,794.72 million in respect of new works and continuous works. The progress of the work project proposals according to the progress reports of the Provincial Council was as follows.

Action should be taken to complete the project proposals by entering into agreements.

Comments have not been made.

Project Description	No. of New works	No. of Continuous works	Total No. of work Proposals
Totally Completed	2838	206	3044
Completed more than 50 per cent	229	18	247
Completed less than 50 per cent	61	3	64
Not commenced	87	1	88
Under disputable/Questionable conditions	38	-	38
<b>Total</b>	<b><u>3253</u></b>	<b><u>228</u></b>	<b><u>3481</u></b>

#### 4.1.3 Sustainable Development Goals

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

The Passara Zonal Education Office had not prepared the Action Plan in a manner able to achieve targets included in the sustainable development goals and the Welimada Zonal Education Office had not carried out 06 activities included in the Plan.

Action Plan should be prepared in a manner able to achieve the sustainable development goals and action should be taken to carry out activities included therein.

Programmes are implemented throughout the year.

#### 4.1.4 School Performance

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The students in more than 50 per cent of schools belonging to the Passara Education Zone had failed the scholarship examination from the year 2014 to 2018. The percentage of the number of qualified students out of the students sat the G.C.E. (O/L) examination from 2013 to 2017 approximately in 50 per cent schools had remained less than 50 per cent.	Education standard of the students should be upgraded.	New programmes required for the improvement of education results are in progress.
(b) Seven students with special needs in Passara Education Zone had not been referred to the Special Education Units and despite being planned to conduct 11 non-formal education courses, only 02 courses had been conducted.	Courses should be planned and implemented so as to improve the education standard of the students with special needs	Non-receipt of provisions.
(c) There were 23 schools with less than 50 percent of students in the Passara Education Zone which had been facing the threaten of closing down.	Management's attention should be drawn on increasing the number of students of the schools.	Those schools are located in rural areas and a large number of students attend to schools in the urban areas.
(d) Out of students in 46 schools who sat the G.C.E.(A/L) examination in the year 2017 in the Mahiyanganaya Education Zone, results of the students in 18 schools remained less than 50 per cent and the results of 02 schools had become zero. There were 04 schools in which all the students had failed in Mathematics and out of 71 schools in which the scholarship examination had been conducted in the year 2017, there were 36 schools in which the students had not exceeded the cut-off level. According to the examination results of the G.C.E.(A/L) examination conducted from 2015 -2017, the passing	Education standard of the students should be upgraded.	The scholarship results have gradually increased and necessary programmes for the improvement of G.C.E.(O/L) and G.C.E.(A/L) examination results will be implemented in future.

percentage of the Science and Mathematics Stream remained at a lower level of 24-31 per cent and 24-38 per cent respectively.

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| (e) | Even though 08 students who should be given special education had been recognized in the Mahiyanganaya Education Zone, action had not been taken to establish a Special Education Unit and refer such students to a teacher who had special education qualifications. Further, despite being identified 32 children who were not pursuing school education, only 12 of them had been directed to the school for education. | Action should be taken to identify the students with special needs and improve their education standards.                 | Due to the issues found in the family environment of the children, it has not been possible to direct them towards the school education. |
| (f) | Out of 99,99,97 and 99 schools in which the students sat the scholarship examination from 2015 to 2018 respectively in the Welimada Education Zone, any student had not qualified from 59,51,37 and 52 schools respectively. Similarly, the failed students had been reported from the same schools.                                                                                                                       | Education standard of the students should be improved.                                                                    | There had been gradual increase in the examination results from the year 2016 to 2018.                                                   |
| (g) | Out of identified students who were not attending school and the school dropouts in the Welimada Education Zone in the years 2017 and 2018, respectively 28 students and 12 students had not been directed to school again.                                                                                                                                                                                                | Necessary steps should be taken to redirect to school the school dropouts and students who are not attending the schools. | Even though steps were taken to direct the children to schools, it was not possible to do so due to various grounds.                     |
| (h) | Even though the Welimada Education Zone had planned to conduct 18 non-formal education courses for the year 2018, only 06 courses had been conducted.                                                                                                                                                                                                                                                                      | Courses should be conducted as planned.                                                                                   | Provisions have not been received for the conduct of courses.                                                                            |
| (i) | Certain schools in the Passara and Welimada Education Zones had not been supervised so as to cover at least one session during a school term and action had not been taken to upgrade the education quality indicators of the supervised schools.                                                                                                                                                                          | School supervision activities should be regularized and education quality of those schools should be improved.            | Necessary steps will be taken in future.                                                                                                 |

#### 4.1.5 Other Observations

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) In the preparation of annual estimates by the Uva Provincial Department of Education, expenditure had been estimated on scholarships without being considered the number of students who received the 5 year scholarship. As such, under estimations of Rs.7,340,000 and Rs.350,000 had been prepared for the years 2017 and 2018 respectively. Similarly, scholarships of Rs.3,311,500 had not been paid relating to 04 Zonal Education Offices of the Uva Province for the year 2017 while scholarships of 7,343,500 had not been paid relating to 09 Zonal Education Offices for the year 2018.</p>	<p>Realistic and correct estimates should be prepared in respect of granting scholarships and necessary steps should be taken to grant those funds to the students.</p>	<p>It is found difficult to precisely estimate the number of students entitled to the scholarships.</p>
<p>(b) In the implementation of development projects proposed by the Members of Provincial Council using criteria based financial provisions in terms of Finance Commission Circular No.2016/01 dated 30 December 2015, steps had been taken regardless of the expenditure limits spendable under each criterion base as indicated below.</p>	<p>Action should be taken in terms of Finance Commission Circular No.2016/01 dated 30 December 2015.</p>	<p>Plans have been drawn to identify all the issues within the interim plan from the year 2019 to 2023 and to solve them through a priority programme.</p>

Criterion	Percentage in the Circular	Spendable Amount	Spent percentage	Amount Spent	Amount unspent/spent exceeding the limit
		Rs.		Rs.	Rs.
Economic Infrastructure Facilities	30	51,000,000	23	39,466,576	11,533,424
Social welfare facilities	30	51,000,000	46	77,931,920	(26,931,920)
Self-employment Promotion	20	34,000,000	11	18,259,182	15,740,818
Irrigation and Agriculture	10	17,000,000	01	2,502,649	14,497,351
Religious, Cultural and Art Affairs	10	17,000,000	19	31,839,672	(14,839,672)

## 4.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) The legal right of the lands belonging to Ohiya and Pelgasthenna training centres of the Uva Provincial Management Development Institute had not been vested in the Uva Provincial Council.	Action should be taken to legally taken over the ownership of the lands belonging to the institutions.	Action will be taken in future.
(b) Even though a block of land containing 05 Acres 02 Roods and 22 Perches in extent had been purchased at a cost of Rs.4,800,000 on 02 February 2007 for Mo/Bibila Yasodara Balika Vidyalaya from a private party, it had been registered in the Land Registry on 23 February 2015. Further, the possession of the land had not been established even by 31 December 2018 and it had been established according to the survey report of dated 22 August 2012 of the Senior Superintendent of Survey, Monaragala District that a land area of 0.3768 hectares of the above land had been encroached by 04 parties.	Action should be taken to establish the ownership of the lands of the schools belonging to the Uva Provincial Council.	Action is being taken to establish the possession of the lands.
(c) In the implementation of Capital Projects such as Balanced Development Programme, Special Rural Travelling and Improvement of Poor Families Programme, Development of Villages with Special Needs and the Development of Under Developed Villages Programme for the year 2018 by the Chief Minister of Uva Province and the Ministry of Finance and Planning, Law and Order, Education, Local Government, Lands, Power and Energy, Constructions and Rural Infrastructure Facility Development, a proper procedure had not been established for the identification of projects.	A proper procedure should be established for the identification of capital projects.	Action will be taken to establish a proper procedure in future.
(d) In the implementation of Development of Villages with Special Needs Programme according to the Letter No.PC/3/2/2018-II dated 16 January 2018 of the Secretary of the Finance Commission,	Special attention should be drawn on identifying the projects to be given priority and implement	Utmost efforts have been made and further corrections will be made in future.

having established appropriate criteria for the identification of the villages with special needs and identified the projects to be given priority accordingly, those should be implemented. Nevertheless, the Chief Minister of Uva Province and the Ministry of Finance and Planning, Law and Order, Education, Local Government, Lands, Power and Energy, Constructions and Rural Infrastructure Facility Development had not taken steps accordingly. Similarly, in the preparation of project plans, development priorities had not been identified through a participatory access.

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| (e) | In terms of Uva Provincial Passenger Transport Services Statute No.01 of 2001, for the regularization of passenger transport services within the Uva Province and inter provincial passenger transport services connected to the Uva Province to such extent applicable to the Uvaprovince, and the other activities incidental thereto, regulations had not been made to the Uva Provincial Passenger Transport Services Statute even by 28 February 2018.                           | Services should be regularized by approving the regulations.                                  | Although this has been referred to the Legal Division, approval had not been granted up to date.     |
| (f) | Under the Provincial Specific Development Grants, the Ministry of Sports and Youth Affairs, Tourism, Transport, Culture and Textile and Small Industries had spent Rs.700,200 in the year 2017 for the landscaping of the upper part of the tunnel located in the Ella town by planting flower plants. Nevertheless, it was observed at the field inspection carried out on 13 November 2018 that a large number of flower plants had been damaged due to lack of proper maintenance. | Action should be taken to protect the assets.                                                 | Flower plants have been damaged due to dry climatic condition and removal of plants by some persons. |
| (g) | Out of 100 imported pregnant cows worth Rs.48,000,000 provided for the Boralanda Animal Farm on 24 December 2017, eight cows worth Rs.3,840,000 had died. Lack of appropriate cattle shed to retain animals so as to ensure health protection within the farm had given rise to the death of animals.                                                                                                                                                                                 | A cattle shed should be erected to retain the animal so as to ensure their health protection. | The contractor has not completed the work of the cattle shed on the due date.                        |
| (h) | Out of 89 calves given birth by the imported cows, 45 calves had died by 31 December 2018. It had been revealed that the calves had so died as a result of afflicting with diseases owing to failure in caring calves in keeping with health protection method.                                                                                                                                                                                                                       | Animals should be cared in keeping with health protection methods.                            | The contractor has not completed the work of the cattle sheds for the calves on the due date.        |

### 4.3 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Psychiatric Unit of the District Hospital, Bandarawela had implemented a <i>Suwadivi</i> programme for mental health development of the Psychiatric patients and thereby services were being provided for approximately eighty patients. Nevertheless, necessary buildings, equipment and other physical facilities had not been provided sufficiently.</p>	<p>Necessary steps should be taken to obtain physical facilities.</p>	<p>Since provisions are received in limited amount, it is found difficult to fulfil all the requirements at a time.</p>
<p>(b) Any criteria based development proposal made by the Provincial Council Members in the years 2015,2016 and 2017 for 33 GramaNiladharee's Divisions had not been implemented and a methodology had not been formulated for communicating the matters regarding the criteria based proposals called for by the Provincial Council to the people at regional level. According to the resources profile data base, sanitary facilities within the Kandubedda Grama Niladharee's Division of the Rideemaliyadda Divisional Secretariat Division remained at a minimum level and 178 families had been obtaining drinking water from the insecure wells. Further, the number of families who lacked the lavatory facilities stood at 96 and the number of families who were using primordial toilets built on pits stood at 63. The number wattle and daub home units was 101.</p>	<p>Action should be taken in accordance with relevant circular.</p>	<p>These proposals will be implemented by allocating provisions in future and a programme will be planned to properly identify the most suitable beneficiaries in future.</p>
<p>(c) Any self-employment assistance had not been provided in the year 2016 and 2017 for Bogahamadiththa Grama Niladhare's Division in which the highest unemployment level reported in the Haliela Divisional Secretariat Division. In terms of Finance Commission Circular No.2016/01 dated 30 December 2015, programmes had not been implemented to promote and conserve of traditional cultural activities, traditional dancing and art affairs presently disappearing from the Uva Province by</p>	<p>Action should be taken in accordance with the relevant circular.</p>	<p>It is expected to obtain information for the Criteria based programme from the Ministry of Culture and accordingly implement the programmes.</p>



identifying them under the religious, cultural and art activities component.

**4.4 Assets Management**  
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**4.4.1 Idle and Underutilized Assets**  
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Audit Observation -----	Recommendation -----	Comments of the Chief Accounting Officer -----
(a) Ten equipment units, the time of which could not be precisely identified, and 03 units of disused equipment removed from the use of the Uva Provincial Management Development Institute had remained idle.	Resources of the Provincial Council should be used in optimum capacity.	Having been appointed a Committee and obtained recommendations on the manner in which the steps should be taken regarding the relevant assets, an assessment committee has been appointed to auction the relevant items.
(b) Although there are 10 rooms in the Ohiya Training Centre of the Uva Provincial Management Development Institute to provide accommodations to the trainees and local and foreign tourists, the number of unused room days in the year 2017 and 2018 stood at 2920 and 1900 respectively. Accordingly, lecture halls and hostels of the Institute had not been utilized in their maximum capacity.	The management should take steps to ensure maximum utilization of the resources belonging to the Provincial Council.	In order to avert the situation pointed out by the Audit, steps are being taken to convert this Centre into a more attractive venue by giving a wide publicity.
(c) Due to lack of a medical officer and the other facilities ,the Echo Testing machine received by the District Hospital, Bandarawela as a donation on 20 October 2017 remained idle.	Action should be taken to obtain optimum benefits from the assets belonging to the Provincial Council.	As this machine is not useful to the hospital, action is being taken to donate that machine to a hospital which is in need of such machine.

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|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (d) | The Bio Gas Unit of the District Hospital, Bandarawela constructed at a cost of Rs.264,548 in the year 2016 had remained idle even by 11 October 2018 without being used.                                                                                                                                                                                                                                                        | Action should be taken to utilise the assets belonging to the Provincial Council.                                                          | Although the contractor was informed, he had not taken necessary steps and as such, action will be taken to blacklist the contractor.                                     |
| (e) | For purification of water obtained from the spring located in the hospital premises to meet the drinking water requirement of the District Hospital, Bandarawela, an equipment worth Rs.43,991 had been installed on 20 January 2018 and it had become inoperative from May 2018. Even though one year guarantee period had been given for the above equipment, it had not been brought to its normalcy even by 11 October 2018. | Action should be taken to properly maintain and utilize the assets belonging to the Provincial Council.                                    | For the repair of the machine, an estimate was taken from the institute which had supplied the machine and necessary steps are being taken at present.                    |
| (f) | Due to absence of an eye surgeon in the District Hospital, Bandarawela, eye clinics had not been conducted from the year 2015. Therefore, equipment available in the eye clinic remained idle.                                                                                                                                                                                                                                   | Having been supplied necessary human resources and utilized physical resources, action should be taken to provide services for the public. | Action will be taken to obtaining necessary human resources from the Badulla General Hospital and thereby provide services for the public.                                |
| (g) | The Finger Scanner installed in the SpringValley Rural Hospital on 06 October 2017 had not been utilized for the relevant purpose.                                                                                                                                                                                                                                                                                               | Action should be taken in accordance with the relevant circular.                                                                           | The Finger Scanner is not used owing to the objections raised by the trade unions.                                                                                        |
| (h) | Due to absence of a Midwife, the maternity ward of the Spring Valley Rural Hospital had been closed down and the equipment, too, had remained idle.                                                                                                                                                                                                                                                                              | Having been supplied necessary human resources and utilized physical resources, action should be taken to provide services for the public. | The officer attached to the ward is on maternity leave and considering the least number of deliveries taking place, a decision has been taken not to attach anew officer. |
| (i) | Although equipment worth Rs.1,079,460 had been purchased in the years 2017/2018 for the Regional Health Services Office, Badulla with the use of financial provisions under the Second Health Sector Development Project implemented upon World Bank Assistance, those had remained idle without being utilized.                                                                                                                 | Steps should be taken to utilize the equipment.                                                                                            | Observation is accepted.<br>The relevant reasons;<br>1. To meet urgent requests.<br>2. Waiting for another duty owing to the distribution cost.<br>3. Not arising         |

			necessity for certain equipment for the hospitals.
			4. Not elapsing a longer period from the receipt of some equipment.
(j)	The Quadriceps Chair worth Rs.120,000 donated to the Base Hospital, Welimada under the Second Health Sector Development Project had remained idle without being utilized.	Steps should be taken to utilize equipment.	This equipment is being utilized for the patients care services at present and existing in functional level.
(k)	Out of the medical equipment worth Rs.6,652,399 purchased for the Incentive Care Unit of the Basic Hospital, Bibila in the year 2016, equipment worth Rs.3,534,250 had been used for the benefits of other wards of the hospital and the medical equipment valued at Rs.3,118,149 had remained idle without being utilized even by the end of year 2018.	Unused equipment should be utilized.	No comments have been made.
(l)	Ten Dialysis machines worth Rs.12,650,000 and other equipment valued at Rs.15,879,875 purchased with the use of financial provisions under the Public Health Services Expenditure Head in the year 2016 for Welimada, Diyathalawa and Wellawaya Base Hospitals had remained idle without being utilized even by the end of the year 2018.	Steps should be taken to utilize the unused equipment.	No comments have been made.
(m)	Lands of 352.56 hectares and 1157 buildings, 38 motor vehicles and 8 machinery had remained idle/ underutilized over a period ranging from 02 to 10 years, 02 to 10 years, 6 months to 30 years and 03 to 14 years respectively and there were another unidentified 84.24 hectares of land, 299 buildings, 130 motor vehicles, 15,668 machinery and 485 units of other assets.	Attention should be drawn on using the assets that remained either underutilized or idle.	Necessary steps will be taken in future with regard to the idled and underutilized assets recognized by each institution.
(n)	Thirty five Finger Scanners purchased by the Uva Provincial Director of Health Services Office at a	Management should draw attention to be	These machines are being used in basic

cost of Rs.1,995,000 under the financial provisions allocated by the “Second Health Sector Development Project-2017” implemented on World Bank Assistance had remained idle without being used.

complied with the Action Plan and necessary steps should be taken to use the machines that remained idled. The purchased assets should be actively put in use.

hospitals and Medical Officer of Health Officers at present.

**4.4.2 Use of Assets Not Vested**

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 Audit Observation  
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 Recommendation  
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 Comments of the Chief Accounting Officer  
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(a) Twenty three lands and 65 lands and buildings and 07 motor vehicles owned by the Government and other institutions had been used without being properly vested in.

Steps should be taken to properly vest in the ownership of the assets being used.

The relevant institutions have been informed to take over the assets included in the category of non-alienated assets and some delays are experienced in transferring assets.

**4.5 Implementation of Projects**

**4.5.1 Delayed Project**

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 Audit Observation  
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 Recommendation  
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 Comments of the Chief Accounting Officer  
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(a) The Provincial Director of Irrigation had entrusted the constructions of the Koslanda Uduwela Cannel Development Project to a Farmers’ Association at Rs.1,096,808 on 03 October 2018 under the Provincial Specific Grants of the year 2018. No development work whatsoever had been initiated even by January 2019, whereas it had been stated in the progress report as at 31 December 2018 the relevant work was in progress and the physical progress was 15 per cent.

Action should be taken to achieve expected objectives utilizing provisions made.

As initial activities have been commenced, progress thereof has been indicated to be 15 per cent. Since payments have not been made, it is expected to included in the future plans.

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>(b) The Bulathgasaratank restoration work planned to be implemented by the Department of Irrigation under the Provincial Specific Grants in the year 2018 had been entrusted to a private institution at Rs.4,227,483 on 24 July 2018. According to the agreement, the work should have been completed on 24 October 2018. Any restoration activity relating to this project had not been initiated even by January 2019.</p>                                                                                 | <p>Action should be taken to achieve expected objectives utilizing provisions made.</p>  | <p>Since the contractor was not interested in initiating the work and impresets were not received, work was not initiated due to failure in granting advances. Action will be taken to blacklist the contractor in future.</p> |
| <p>(c) Under the Estate Hospital Development Project of the Ministry of Health, the Central Provincial Department of Building had handed over 06 construction works of the Spring Valley Hospital to a private construction institution at Rs.16,990,980 on 10 March 2017 by. Nevertheless, 04 of the above works had been abandoned. Although 02 works of which construction had been initiated were scheduled to be completed by 08 July 2017, those works had not been completed even by 04 October 2018.</p> | <p>Action should be taken to achieve expected objectives under a proper supervision.</p> | <p>Only two works are in slow progress and constructions and supervision have been assigned to the Central Provincial Department of Building.</p>                                                                              |

**4.5.2 Abandoned Projects**

Audit Observation

Recommendation

Comments of the Chief Accounting Officer

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The Department of Irrigation had not taken steps against two Farmers' Associations for not carrying out constructions of two contractual irrigation projects and action had not been taken to assign the above constructions to another Farmers' Association. Hence, it had not been possible to utilise financial provision of Rs.3,888,123 and achieve the expected objectives therefrom.

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Action should be taken to achieve expected objectives with the use of provisions made.

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Due to lack of interest on the part of the Farmers' Association, constructions had been delayed and works are scheduled to be included in the future plans.

### 4.5.3 Failure to Achieve Expected Outcome

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
<p>(a) Although restoration of Mahakadawara Tank carried out by the Uva Provincial Ministry of Agriculture under the Minor Irrigation Rehabilitation and Reconstruction Programme upon JICA assistance had been completed at a cost of Rs.19, 411,960 in the year 2004, lands had not been distributed among the farmers even by October 2018. Accordingly, it had become a fruitless expenditure. Even though environmental approval should be obtained from the Central Environmental Authority prior to commencement of the tank restorations, in terms of the Gazette No.772/22 dated 23 June 1993 published under the National Environmental Act, approval had not so been obtained,</p>	<p>Action should be taken in terms of the Gazette No.772/22 dated 23 June 1993 published under the National Environmental Act.</p>	<p>Since this is an old tank constructed in 2002/2004, approval has not been obtained. Water of this tank is used for irregular chena cultivation and refill the Demaliya Tank when its water is exhausted. The department will take necessary steps immediately after the release of those lands by the Department of Forest conservation.</p>
<p>(b) Under the Agricultural Roads Development Programme, 2017, the Uva Provincial Ministry of Agriculture, Irrigation, Animal Products and Fresh Water Fisheries had carried out construction of Rambukpotha Channel Agricultural Road and a sum of Rs.1,169,642 had been paid to the contractor upon completion value of the work of Rs.1,820,952. Nevertheless, the side wall cited in the estimate had become angled and it had been adjusted using supporters. The Committee headed by the Regional Irrigation Engineer, Badulla had recommended that the above road was unfit for vehicle running. Similarly, 03 electric posts erected on the road had not been removed even by 05 September 2018.</p>	<p>In the implementation of projects, action should be taken to ensure proper supervision so as to achieve the expected objectives.</p>	<p>Damages caused to the side wall due to heavy rains and it was adjusted using supporters. Since payments have not been settled for the final bill, necessary steps will be taken in future. The Electricity Superintendent has been informed to remove the Electric Posts.</p>

## 4.6 Staff Administration

### 4.6.1 Approved Cadre and Actual Cadre

Position of the approved cadre and actual cadre of the Uva Provincial Council as at 31 December 2018 is as follows.

(a) Provincial Ministries/ Departments and Offices (Except for the School Staff)				
Category of Employees	Approved Cadre	Actual Cadre	No. of Vacancies	Excess
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(i) Senior Level	1436	1012	424	-
(ii) Tertiary Level	298	167	131	-
(iii) Secondary Level	7912	6478	1434	-
(iv) Primary Level	6052	5028	1024	-
(v) Other	-	998	-	998
(Casual/Temporary/Contract)	-----	-----	-----	-----
Total	<u>15,698</u>	<u>13,683</u>	<u>3,013</u>	<u>998</u>

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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Four Development Officers, a Management Assistant, a Driver and a Karyala Karya Sahayaka of the Uva Provincial Public Service had been attached to the staff of a Parliamentarian, Chief Minister and the staff of the Council Members.	It is desirable to attach officers to the duties entitled to the relevant post.	Comments have not been made.
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(b) School Staff				
Category of Employees	Approved Cadre	Actual Cadre	No. of Vacancies	Excess
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(i) Principals	1077	695	382	-
(ii) Teachers	17026	16723	303	-
(iii) Supporting Staff	2127	1571	556	-
(iv) Other	-	1341	-	1341
(Casual/Temporary/Contract basis)	-----	-----	-----	-----
Total	<u>20230</u>	<u>20,330</u>	<u>1241</u>	<u>1341</u>

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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A number of 382 vacancies of the post of Principal, 303 vacancies of the Teachers and 556 vacancies of the Supporting Staff had not been filled.	Action should be taken to fill vacancies.	Action will be taken to fill vacancies in making future recruitments.
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#### 4.6.2 Staff Administration relating to Education

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
(a) Four teachers of 04 schools in Passara Education Zone who had drawn salary from the school salary sheets, had been employed in other services extraneous to the teaching activities.	Teachers should be deployed in teaching activities.	Comments have not been made.
(b) There were 274 vacancies of the Teachers in Mahiyanganaya Education Zone and without being filled those vacancies, 25 teachers had been attached to another education zones.	Action should be taken to fill vacancies.	On completion of the period of attachment, 13 teachers are serving in this education zone and 05 teachers have left on transfers to another education zones. Other 07 teachers are still in the service on service attachment.
(c) Although the officers in Grade I and Grade II of the Sri Lanka Education Administration Service should be appointed for the Post of Director of Education and Deputy Director of Education respectively of the Mahiyanganaya Zonal Education Office, officers in Grade III of the above service had been appointed to those posts.	Action should be taken in accordance with the service minutes of the Sri Lanka Education Administration Service.	Due to lack of relevant grade holders in the Mahiyanganaya Education Zone, above appointments were made.
(d) Five officers of the Welimada Education Zone who had been granted appointment for the special education subjects had been assigned to teach other subjects and to carry out office activities.	Teachers should be attached to teach the subjects for which they have received appointments.	There are 11 special education units in the Welimada Education Zone. Since there are excesses of these teachers in these schools, they have been assigned other activities.



#### **4.7 Supervision of Local Authorities**

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##### **4.7.1 Revenue in Arrears**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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(a) The unrecovered Rates and other revenue of the Local Government Authorities of the Uva Provincial Council as at 31 December 2018 and the preceding years amounted to Rs.321,196,011.	Action should be taken to recover the revenue in arrears.	Comments have not been made.
(b) The Court Fines and Stamp Duty recoverable to the Local Authorities as at 31 December 2018 stood at Rs.143,013,514 and Rs.163,065,240 respectively.	Action should be taken to recover the revenue in arrears.	Comments have not been made.

##### **4.7.2 Funds recoverable for the Surcharge Certificates Issued**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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The amount recoverable in respect of the surcharges imposed for the responsible officers of the Local Government bodies of the Uva Province as at 31 December 2018 stood at Rs.2,413,805.	Action should be taken in accordance with the statutory provisions.	Comments have not been made.

#### **5. Accountability and Good Governance**

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##### **5.1 Internal Audit**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Chief Accounting Officer</b>
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An adequate audit had not been conducted in the ministries, departments, offices and institutes of the Uva Provincial Council. The management had not taken formal steps on the disclosures made by the Internal Audit and no adequate follow up action had been taken thereon.	Action should be taken in accordance with the Uva Provincial Financial Rules 133.2	Comments have not been made.

##### **5.2 Tabling Annual Reports in Council**

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Position of tabling the Auditor General's Reports on the financial statements of the Uva Provincial Council of the preceding 05 years in Council was as follows.

Year	Date of issue of the report	Date of tabling the Report in Parliament
2013	10.02.2015	28.04.2016
2014	21.09.2015	14.07.2016
2015	06.12.2016	20.02.2017
2016	21.08.2017	28.09.2017
2017	28.09.2018	25.10.2018

### 5.3 Observations Unresolved Audit Paragraphs

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The directives made by the Committee on Public Accounts held on 23 March 2017 relating to the following audit paragraphs had not been implemented.

Audit Observation	Recommendation	Comments of the Chief Accounting Officer
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(a) In terms of Section 5.3.1 of Chapter XIX of the Establishments Code, 10 per cent of the monthly salary of the officers entitled to the scheduled quarters should be recovered as the monthly rent of the quarters. Nevertheless, nominal rent of Rs.500 had been recovered from the Secretaries and the Deputy Secretaries of the Uva Provincial Council from 01 August 2008.	Action should be taken in accordance with the directives made by the Committee on Public Accounts.	Comments have not been made.
(b) The Survey Department had handed over a report on 25 November 2013 stating that unauthorised houses had been constructed in a land area of 2.66 perches of the land belonging to the District Hospital, Bandarawela and it had been revealed that encroachers had constructed unauthorized permanent buildings in a land area of 1 Acre and 0.8 perches of the Niyandagala Pathana land in which the Welimada Basic Hospital is situated. Proper steps had not been taken to settle the boundaries of the land belonging to the relevant hospitals and action had not been taken to obtain freehold right of the lands in terms of Government Land (Recovery of Possession) Act, No.07 of 1979 by evicting encroachers from the lands.	Action should be taken in accordance with the directives made by the Committee on Public Accounts.	Future steps are being taken with the Divisional Secretaries.

- (c) The Commissioner General of Lands had given approval on 09 May 2011 to lease the portion of land, 11.056 hectares in extent situated in Meepilimana village in Alakolagama Grama Niladharee's Division of the area of authority of Welimada Divisional Secretariat to the Sri Lanka Broadcasting Corporation for a period of 30 years for a commercial purpose. Action had not been taken to enter into a lease agreement or prepare a deed of lease relating to the leasing of the land. The Sri Lanka Broadcasting Corporation had leased a land area of 19 acres of the above land to a private party on 06 November 2012 for cultivation activity at an annual lease rent of Rs.2,755,000. Action had not been taken to recover a lease rent of Rs.8,680,000 recoverable by the Uva Provincial Council from the Sri Lanka Broadcasting Corporation for the period from 2012 to 2016 as per the assessment report dated 14 June 2012 of the District Assessor.
- Action should be taken in accordance with the directives made by the Committee on Public Accounts.
- Approval for the long term lease of the Sri Lanka Broadcasting Corporation will be invalidated and instructions of the Commissioner General of Land will be complied with.