

Uva Provincial Council - 2019

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the **Uva Provincial Council** for the year ended 31 December 2019 comprising the statement of financial position at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended, 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. The summary report in terms of Section 23 (2) of the Provincial Councils Act and provisions in Section 11 (1) of the National Audit Act No. 19 of 2018 was issued on 04 September 2020 and the Detailed Management Audit Report in terms of Section 11 (2) of the National Audit Act No. 19 of 2018 was issued on 24 August 2020. This report will be tabled in Parliament in pursuance of provisions in Article 154 (6) of the Constitution to be read in conjunction with Section 10(1) of the National Audit Act, No.19 of 2018.

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 2019, and of its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 opinion.

1.3 Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Public Sector Accounting Standards, 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.

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 of the Provincial Council.

1.4 Auditor's Responsibilities 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 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 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

National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

- (a) The financial statements of the Provincial Council are consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- (b) The following recommendations made by me in respect of the financial statements for the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 had not been implemented.

Reference to Paragraph

1.6.1(a)

Audit Observation

The value of library books belonging to the Uva Provincial Library Service Board had not been identified and stated in the financial statements as at 31 December 2018.

Recommendation

The value of library books should be identified and included in financial statements.

1.6.1 (f)

The advance balances payable as at 31 December of the year under review had not been stated in the Commercial Advance Accounts prepared by 03 Provincial Council institutions and the advance balance payable as per Consolidated Financial Statements was Rs. 4,777,252.

The account information submitted by the institution should be in line with the consolidated financial statements.

1.6.1 (h)

The loan amounting to Rs. 40,326,651

Action should be taken to recover the due loan amount

which had been stated as the assets in the financial statements of the Provincial Council for more than 10 years had not been recovered even by 31 December of the year under review.

1.6 Comments of the Financial Statements

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) In accordance with Section 129 (2) (b) of the Pradeshiya Sabha Act No. 15 of 1987, Section 158 (2) (b) of the Urban Council Ordinance and 185 (2) (c) of the Municipal Council Ordinance, the stamp duty levied in terms of Chapter X of the Uva Province Finance Statute No. 08 of 1990 should be credited to the fund of the relevant local authority. Nevertheless, the stamp duty of Rs. 331,997,565 collected by the Uva Provincial Council during the year under review had not been recognized as a liability until it was remitted to the relevant Local Government Authority and it had been brought to account by considering as a revenue of the Provincial Council.</p>	<p>It should be identified as a liability of the Provincial Council and brought to account.</p>	<p>The liability for repaying the levied stamp duty to the Local Governments Authority takes the form of a legal contingent liability and if it has to be settled, provision has been made under Object No. 1504 of the Annual Financial Statute to repay in accordance with the Stamp Duty Ordinance No. 05 of 1993.</p>
<p>(b) The cases filed against the Uva Provincial Council had not been identified and disclosed in the financial statements.</p>	<p>In terms of Generally Accepted Accounting Principles, contingent liabilities should be disclosed in financial statements.</p>	<p>As specific contingent liabilities to be paid from the Provincial Council Fund have not been identified, no disclosures have been made in the Provincial Council Fund. Action will be taken to make disclosures in the financial statements after confirming such specificities in the future</p>

- (c) Although the development cost amounted to Rs. 1,130,191,685 according to the financial statements, it was Rs. 1,123,153,786 according to detailed schedules, thus observing a difference of Rs. 7,037,899. The details included in the financial statements should be reconciled with the relevant schedules. The balance is correct according to the financial statements and the inclusion of the financial lease installment in the above balance resulted in this difference.
- (d) According to the Provincial Council Revenue Account, the tax and non-tax revenue stood at Rs. 3,666,120,917 but it was Rs. 3,677,321,463 according to the performance statement included in the financial statements of the Provincial Council. Accordingly, a difference of Rs. 11,200,546 was observed. The information shown in the consolidated income statement should be reconciled with the consolidated financial statements. According to the accounting for collection of arrears of income, there is a difference between a consolidated income statement and a consolidated financial statement.

1.7 Non-compliance with Laws, Rules and Regulations

The following instances of non-compliances were observed during audit.

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comment of the Chief Accounting Officer
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(a) Uva Provincial Council Financial Rules			
(i) Financial Rules 104.2	The Auditor General had not been reported on the damage caused to 08 vehicles belonging to the Badulla Regional Health Services Director's Office during the period from January to August 2019.	Action should be taken in accordance with Uva Provincial Council Finance Rules 104.2.	It has been reported through the Appropriation Accounts pertaining to each year.
(ii) Financial Rules 104.4	Delays ranging from 03 months to 1 ½ years had been caused to submit the full reports on accidents involving 11 vehicles belonging to the Badulla Regional Health Services	Action should be taken in accordance with Uva Provincial Council Finance Rules 104.4.	It takes a considerable period of time to obtain police reports, prepare estimates, conduct preliminary investigations, carry out procurement activities, court proceedings,

Director's Office.

insurance coverage and get approval for estimates relating to the accidents.

(b) Public Administration
Circulars

Circular No. 30/2019
dated 28 October 2019.

The details of the 64 retired officers who had been re-employed by the Office of the Deputy Chief Secretary (Administration) had not been submitted to the Director General of Pensions.

Action should be taken in accordance with Circular No. 03/2019 dated 28 October 2019.

All Secretaries to Ministries and Deputy Chief Secretaries have been notified to submit the details.

(c) Circulars of the Secretary
to the President

(i) Paragraph 7.4 of the
Circular No. No. PS /
CSA / 11-18 dated 12
October 2018.

The office bearers of the Chief Minister, Provincial Ministers, Chairman of the Provincial Council, Deputy Chairman of the Provincial Council should be entitled only to the allowances receivable for relevant post and the allowances available as a Member of Council should not be paid to them. Nevertheless, the Council Secretariat had paid Rs. 12,616,362 to those office bearers as allowance receivable as a Member of Council from November 2018 to September 2019.

Action should be taken in accordance with Paragraph 7.4 of Circular No. PS / CSA / 11-18 dated 12 October 2018.

All payments have been made on Provincial Cabinet decisions and instructions given by the Chief Secretary.

(ii) Circulars No. PPA/61/1
dated 31 December
1993.

Five officers participated in official foreign tours had not submitted the required report to be

Action should be taken in accordance with Circulars No.

The officers who have not yet submitted their reports have been requested/informed to

submitted within 07 days PPA/61/1 dated submit the relevant
of their return from the 31 December reports.
official visit. 1993.

2. Revenue Management

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

The total arrears of revenue of Rs. 201,246,725 relating to 05 Revenue Items recoverable as at 31 December of the year under review had not been recovered

Necessary steps should be taken to recover the arrears of revenue.

Necessary steps will be taken to recover the arrears of revenue and instructions have been given to write off the arrears, that the recovery of which has become problematic

3. Financial Review

3.1 Financial Result

According to the financial statements presented, the operations of the Provincial Council Fund for the year ended 31 December 2019 had resulted in a deficit of Rs. 3,320,573,725 as compared with the corresponding deficit of Rs. 3,281,879,774 for the preceding year.

3.2 Income and Expenditure

According to the financial statements presented, a summary of the income and expenditure for the year under review and the preceding year is as follows.

	Revenue					
	2019			2018		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue applicable to the Provincial Council Subjects						
Tax revenue	4,877,230,000	3,199,744,392	(1,677,485,608)	3,711,650,000	3,137,004,798	(574,645,202)
Non-tax revenue	477,705,000	477,577,071	(127,929)	608,350,000	570,836,175	(37,513,825)
Government Grants	23,138,000,000	21,249,500,000	(1,888,500,000)	19,566,798,000	19,053,001,000	(513,797,000)

Total	28,492,935,000	24,926,821,463	(3,566,113,537)	23,886,798,000	22,760,841,973	(1,125,956,027)
Recurrent Expenditure						
Personal Emoluments	19,248,388,223	19,129,812,766	118,575,457	490,691,000	399,828,138	90,862,862
Other Recurrent	4,480,933,777	5,036,621,893	(555,688,116)	19,540,710,000	19,907,077,670	(366,367,670)
Sub total	23,729,322,000	24,166,434,659	(437,112,659)	20,031,401,000	20,306,905,808	(275,504,808)
Government Investments	4,472,728,157	967,863,593	3,504,864,564	3,855,379,000	2,937,300,565	918,078,435
Total	28,202,050,157	25,134,298,252	3,067,751,905	23,886,780,000	23,244,206,373	642,573,627

Out of the total expenditure for the year amounting to Rs. 25,134,298,252, expenditure incurred on the recurrent activities amounted to Rs. 24,166,434,659 and the expenditure incurred on provincial council investments was Rs. 967,863,593 and accordingly, only 4 per cent of the total expenditure had been spent on provincial development activities. Revenue had not been collected from the seven Revenue Items assigned to the Provincial Councils according to the 13th amendment to the Constitution of the 1978.

4. Statute Accounts

Uva Navodaya Fund

Audit Observation

This Fund established under the Uva Navodaya Fund Statute No. 01 of 1992 remained inactive and a sum of Rs. 32,039,853 available in the Fund as at 31 December of the year under review had been invested in fixed deposits. In addition, a sum of Rs. 378,956 of this Fund retained idle in a current account.

Recommendation

Action should be taken to keep the Fund active and thereby achieve the desired objectives.

Comment of the Chief Accounting Officer

Arrangements are being made to achieve the common objectives stated in the Statute on the instructions of the Hon. Governor and the Chief Secretary.

5. Operating Review

5.1 Performance

5.1.1 Government Grants

Details on the grants received for the development activities of the Provincial Council and their utilization are as follows.

Source of Funds	Amount Approved	Amount Spent	Underutilization
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	Rs.	Rs.	Rs.
Criteria Based Grants	559,000,000	302,000,000	257,000,000
Provincial Specific			
Development Grants.	3,418,000,000	1,686,500,000	1,731,500,000
World Bank Assistance	450,000,000	250,000,000	200,000,000
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Total	4,427,000,000	2,238,500,000	2,188,500,000
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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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A sum of Rs. 4,427,000,000 had been approved for the development activities for the year under review and due to not receiving imprests from the Treasury, Rs. 2,188,500,000 or 49 per cent of the above sum remained underutilized.	Provisions should be utilized in maximum	Adequate imprests were not received from the Treasury.

5.1.2 Provincial Development Plan

Under the Provincial Development Plan for the year under review, 3,051 project proposals valued at Rs. 3,155 million had been approved for new works and continuous works. The following table shows the progress of the project proposals according to the Progress Reports of the Provincial Council.

Project Details	New works	Continuous works	Total work proposals
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Totally completed	2,277	306	2,583
Completed in excess of 50 per cent	80	83	163
Completed less than 50 per cent	64	28	92
Not commenced	209	-	209
Uner disputable/ problematic conditions	4	-	4
Total	2,634	417	3,051
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Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) Out of the total projects 163 projects had been completed more than 50 per cent while 92 projects had been completed less than 50 per cent as at 31 December 2019 and the total number of projects that had not been commenced was 209. It was observed that lack of sufficient funds from the General Treasury had given rise to this situation in the provincial development work.	Action should be taken to complete the project proposals for which agreements were reached.	Non-receipt of adequate imprests from the General Treasury.
(b) Under the Criteria based Development Programme of the year 2019, seven hundred and one (701) projects had been proposed for the Monaragala Divisional Secretariat Division and out of which 693 projects had been forwarded for approval and 532 of those projects had been approved. The number of projects completed as at 31 December 2019 was 193, which was as low as 36 per cent of the approved number of projects.	Approved project proposals should be implemented.	Only projects for which imprests had been provided for the year 2019 have been completed.

5.1.3 School Performance

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
(a) The number of schools that had recorded less than 50 per cent of the qualified students out of the number of students who sat the GCE (O / L) examination in the year 2019 in the Mahiyanganaya Education Zone was 12 and the number of schools that had recorded less than 50 per cent of the number of students passed in each stream in the GCE Advanced Level examination in the year 2019 was 06. According to the cut off marks of the Scholarship Examination from 2017 to 2019, the number of schools in which students had failed the examination during the above 03 years was 15.	Action should be taken to increase the examination results.	Various programmes have been put in place to improve the results.
(b) Thirty one teachers of Ba/Uva Maha Vidyalaya had not been engaged in teaching activities between 30-35 periods and the Deputy Principals had not been engaged in teaching minimum of 10 periods per week according to the Circular No. 01/2016 dated 07 January 2016 of the Secretary to the Ministry of Education.	Steps should be taken in accordance with the Circular No. 01/2016 of the Secretary to the Ministry of Education.	Excess teachers have been transferred and time tables have been given to the remaining teachers. The Deputy Principals have been assigned supervision and administrative duties.
(c) According to the results of the GCE (O / L) examination in schools in the Bandarawela Education Zone, the number of schools that had recorded less than 50 per cent of qualified students out of the students who sat the examination was 18 in 2016, 18 in 2017, 12 in 2018 and 16 in 2019.	Necessary steps should be taken to improve examination results.	Necessary steps are to be taken by calling for the principals.
(d) The number of schools which were at the risk of closure due to decrease in the number of students less than 50 in the Bandarawela Education Zone was 26 as at 04 December 2019.	A programme should be prepared to attract students by providing the necessary facilities, enhancing the results etc	Every step has been taken to protect the schools at risk of closure.

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| (e) | The Bandarawela Zonal Education Office has spent Rs. 1,657,684 and Rs. 1,034,111 in the year 2018 and 2019 respectively for supervision and evaluation activities of the schools. Out of the schools evaluated externally, there were 34 schools with the quality index less than 60 per cent in 2018 and 40 schools in 2019. Proposed development programmes, follow-ups and feedback programmes to improve the quality index of those schools had not been implemented. | Development programmes, follow-up and feedback programmes should be implemented to improve the quality indexes of the schools. | Steps have been taken to further strengthen the follow-up process related to external supervision and necessary arrangements will be made to improve the quality indexes in schools in future. |
| (f) | The main objectives of the three websites introduced for the promotion of the Uva Provincial Entrepreneurship Development Programme implemented under the Office of the Deputy Chief Secretary (Planning) since 2019 had not been achieved and the website Manpower.lk had been inactive by 11 February 2020. | Action should be taken to achieve the desired objectives. | Web pages for nearly 600 entrepreneurs in the Uva Province have been created in the Uvaproduct.lk website. The Uvavisit.com website includes nearly 250 resorts. Since the tourism had not become its normalcy, expected objectives could not be achieved. Manpower.lk website is presently active. |
| (g) | Although infrastructure facilities required to initiate National Vocational Qualification (NVQ-5) level courses at the Bibila Agrarian Training Center of the Uva Provincial Department of Agriculture had been developed by September 2018 using the provisions of Rs. 10,000,000 provided by the Farmers' Trust Fund in the year 2017, the National Vocational Qualification (NVQ-5) level courses, the intended target, had not been started even by 25 February 2020. | Action should be taken to achieve the desired objectives. | It is expected to commence the course from January 2021. |

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) The Office of the Deputy Chief Secretary (Engineering Services) had spent Rs. 6,024,310 for the installation of solar power system of the Chief Secretary's Official Residence. A mutual agreement had not been entered into with the Ceylon Electricity Board to add the excess power generated by the solar power system to the national grid and the Uva Provincial Council had not received benefit from the excess power generated. Similarly, the number of units generated after the installation of the solar power system had not been compared with the declared power generation capacity by the contractor and no agreement had been reached on the maintenance of the solar power system.	An agreement should be reached with the Electricity Board to receive benefits to the Provincial Council.	Measures are being taken to reach an agreement with the Electricity Board with a view to receiving benefits to the Provincial Council.
(b) It was revealed that two female officials had submitted forged documents using a letterhead of the Sri Lanka Netball Association stating that they would be participating in the coaching conference and netball match analysis to be held in Singapore from 03 to 12 September 2016. The said two officers had participated in 02 other foreign tours on 02 other occasions by 22 June 2019 and spent Rs. 265,337 thereon.	Relevant action should be taken by expeditiously completing the investigations.	A preliminary investigation is underway in this connection and one officer has involved in foreign tours on two occasions after this incident. In case she is found guilty of the disciplinary inquiry against her or if her foreign leave is not approved, her consent has been obtained in writing to take action to recover her allowances and the approval of the Governor has been obtained thereon.
(c) The Provincial Ministry of Agriculture had not recovered the loan balance of Rs. 10,509,070 due on 31 December 2019 for the import and distribution of seed potatoes.	Action should be taken to recover the loan balance.	Action has been taken to recover the balance in installments by informing the Heads of

- relevant institutions regarding the amounts due from the government officials.
- (d) In terms of Order No. 1759/39 of the Minister of Lands and Land Development, the tenure of the 0.888 hectare land with Geelong Bungalow in Monaragala has been taken over by the Uva Provincial on 25 May 2012 under Interim Order 38 (a) of the Land Acquisition Act. Nevertheless, the ownership thereof had not been formally taken over through a land deed.
- Ownership of the land should be formally taken over through a land deed.
- The District Assessor has called for a detailed report from the Land Reforms Commission and the Janatha Estate Development Board and further action will be taken soon after the receipt of the report.
- (e) The revenue earned from the Geelong Circuit Bungalow during the years 2017, 2018 and 2019 amounted to Rs. 1,662,600 and Rs. 3,204,463 had been incurred only for the employees' salary during that period , thus incurring a loss of Rs. 1,541,863.
- Action should be taken to increase revenue.
- Although tourist arrivals remain at a low level due to the difficulties on the access road at present, it is expected that revenue may increase in the future through the increase tourist arrivals with the development of the road
- (f) In order to maintain a boat service in the Buduruwagala Lake, a sum of Rs.785,882 had been spent to construct and purchase 06 boats and 30 life jackets by October 2018. Nevertheless, the cruise boat service had not been commenced even 31 by December 2019.
- Action should be taken to complete the project soon and to start the cruise boat service.
- Although the Ministry of Tourism has made provision for the commencement of this boat service in 2019, the remaining work is to be carried out through the Pradeshiya Sabha due to limitation of provision.
- (g) Even though the Uva Provincial Ministry of Sports, Youth Affairs, Tourism, Transport, Culture, Textile Industries and Small Industries had spent Rs. 39,824,944 as at 31 December 2019 for the Udawalawe Tourist Resort, which commenced construction in 2013, the Tourist Resort and shops had not been opened to tourists even by 29 July 2020.
- Restrooms and shops should be expeditiously opened for tourists.
- Buyers have presented themselves to lease 08 shops and the quotations received for the restaurant and kitchen will be submitted to the Technical Evaluation Committee and further action will be taken accordingly.

- (h) Although cost of Rs. 27,016,820 had been incurred for the construction of kitchen, restaurant and toilet system at Kitulkote Tourism Facilitating Center, that buildings remained idle even by 29 July 2020. Action should be taken to make use of the building expeditiously. Bids were invited on 31 December 2019 based on the assessment of the Department of Valuation and further steps are in progress.
- (i) Although the Public Health Inspector had confirmed that the water in the natural water spring used for the supply of water to the hospital was unfit for drinking due to contamination with animal feces and that the water source dried up during the dry season, no alternative arrangement had been put in place to supply essential drinking water to the hospital. Prompt action should be taken to resolve the issue. The project could not be implemented due to lack of funds for Provincial Specific Funds.
- (j) The total amount of Rs.1,051,152 paid as incidental and combined allowances for 02 foreign tours in which three officials of the Uva Provincial Ministry of Sports participated in the year 2018 had been brought to account under Infrastructure Tourism Development Capital Expenditure Object No. 705-52-7-2-2109 (2). Payments related to the Objects should be brought to account under the relevant Objects. Not commented.
- (k) According to the age analysis of General Deposits, the total balance of deposits lapsed for 02 years of 26 institutions which had not been disposed of as per Financial Regulations 571 amounted to Rs. 90,233,501 as at 31 December of the year under review. Steps in terms of Financial Regulations 571 should be taken on the lapsed deposits. Institutions have been informed to carry out disposals and action will be taken accordingly in future.
- (l) Loan balances of Rs. 44,712,331 due from the officers who were transferred, deceased and retired, interdicted and had vacated the service from 52 Ministries, Departments and Offices of the Uva Provincial Council had not been recovered. Action should be taken in accordance with Chapter XXIV of the Establishments Code, Uva Provincial Financial Rules 485 (4) and Action will be taken to settle the loan balances.

		Circular No. 2004/01 dated 08 January 2004 of the Chief Secretary of the Uva Province	
(m)	Loan balances of Rs.17,033,713 of the officers transferred from 13 various institutions including Ministries and Departments of the Uva Provincial Council had not been settled.	Action should be taken in accordance with Chapter XXIV of the Establishments Code, Uva Provincial Financial Rules 485 (4) and Circular No. 2004/01 dated 08 January 2004 of the Chief Secretary of the Uva Province	Action will be taken to settle the loan balances.
(n)	The recoverable loan amount of Rs. 40,319,651 which had been shown as assets in the financial statements of the Provincial Council for more than 10 years had not been recovered from the relevant officials.	Action should be taken to recover the loan balances.	The collection of balances from farmers has been dwindled owing to political interference at various times. The Attorney General has informed that loan of the Netherland institute cannot be recovered due to lapse of more than 10 years. Due to lack of schedules incentive balance cannot be recovered.
(o)	According to Paragraphs 2.4, 2.5 and 2.6 of the 2006 Government Procurement Guidelines, duties and responsibilities had not been assigned to the members of the Procurement and Technical Evaluation Committees appointed by the Monaragala Regional Engineering (Roads) Office in the years 2018 and	Action should be taken in accordance with the Government Procurement Guidelines, 2006.	Not commented

2019.

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| (p) | Arrears of lease amounting to Rs. 24,690,528 due as at 31 December 2019 for 5 lands leased by the Monaragala Divisional Secretariat on long term lease had not been recovered. | Action should be taken to recover the arrears of lease. | Further action will be taken on the instructions of the Provincial Land Commissioner and the Land Commissioner General. |
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5.3 Operating Inefficiencies

----- Audit Observation

Recommendation

Comment of the Chief Accounting Officer -----

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| (a) | Three members of the Provincial Public Service Commission had not attended the meetings of the Commission for a period of 10-17 days out of 33 meeting days during the year 2018 and 9-10 sessions out of 24 meetings held from 01 January to 30 July 2019. However, an allowance of Rs. 1,368,000 had been paid for those three members for that periods. | Action should be taken to obtain active participation in meetings. | Provisions in respect of the attendance or functions of the members of the Provincial Public Service Commission are not incorporated in the Provincial Council Act No. 42 of 1987. Even if the members are absent, their monthly allowance will be paid in terms of Section 33 (5) of the Act. |
| (b) | Total of 13,553 units of 97 drugs worth Rs. 697,172 in the Wellawaya Base Hospital as at 31 December 2019 had expired. | A systematic stock control system should be adopted. | All expired drugs have been disposed of on 29 December 2019. |
| (c) | Under the nearest school is the best school 'B' project, although 08 trees on the Mo/Bodagama Maha Vidyalaya school premises had been cut down in August 2016 for the construction of the Junior Secondary Science Laboratory building with Science, Mathematics, E-Library and Information Technology facilities under the provision of Rs. 24,225,403, the construction work had not commenced even by 31December 2019. | Action should be taken in accordance with the agreement. | The work had been canceled on 17 March 2017 upon a decision taken to cancel works that had not begun construction. |

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| (d) | Although the Monaragala Divisional Secretariat had identified the land through the Kachcheri and recommended the issuance of 8 long term leases, no action had been taken to lease them by obtaining approval of the Land Commissioner General even if 05 years to 24 years had elapsed as at 31 December 2019. | Action should be taken to grant lease and thereby recover the relevant taxes. | Further action is due to be taken on the relevant lands soon after the recommendations of the Forest Conservation Department are received. |
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5.4 Assets Management

5.4.1 Idle and Underutilized Assets

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

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| (a) | Two tractors and a compact harvester belonging to the Okkampitiya Seed Production Farm remained idle for more than 10 years. | Necessary action should be taken to utilize or dispose of the assets. | Action will be taken to submit them to the Deputy Chief Secretary (Finance) to auction in the year 2021. |
| (b) | Two safety farmhouses of 8 x 20 meter in size constructed at a cost of Rs. 280,000 in 2010 at the office premises of the Assistant Director of Agriculture, Welimada of the Department of Agriculture, remained idle after the year 2014 without being used. | Necessary action should be taken to make use of them. | It has been planned to repair the two greenhouses required to be repaired, cultivate greenhouse crops therein and conduct farmer training activities through it. |

5.4.2 Identified Losses

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

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| (a) | A cab belonging to the Provincial Building Department had met with an accident on 08 May 2018 thus causing a loss of Rs.237,912. Nevertheless, had not acted in accordance with Provincial Council Financial Rule 104 to determine those responsible for the damage. | Action should be taken in accordance with Provincial Council Financial Rules 104. | Part of the loss has been recovered from the insurance coverage. The preliminary report has been submitted. |
| (b) | As contributions had not been made to the Employees | Action should be | In accordance with the |

Provident Fund for the period from 01 April 2010 to 31 May 2013 on behalf of the employees employed on casual basis in Okkampitiya Seed Farm, a surcharge of Rs. 376,374 had been paid in 2018.

taken to cover the loss incurred.

notification of the Secretary to the Uva Provincial Ministry of Agriculture made by the Letter No. 7/2/2 / 7-2 dated 30 May 2018, this amount has been paid from the Farm Advance Account.

5.4.3 Deficiencies in the Contract Administration

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

(a) Construction of Ravanaella Observatory Platform

According to the soil test report of the National Building Research Organization dated 23 July 2015, an analysis on the rock slope stability should have been carried out prior to laying the foundations of the proposed site for the construction of the Ravanaella Observatory Platform. Irrespective of that matter, the Deputy Chief Secretary (Engineering Services) had entered into an agreement worth Rs. 6,460,382 on 11 November 2015 for the constructions. Due to issues cropped up regarding the suitability of the construction site, the agreement had been terminated on 14 September 2016 by mutual agreement and an amount of Rs. 967,042 spent up to then had become fruitless. For the relevant construction, the Deputy Chief Secretary (Engineering Services) again had reached an agreement worth Rs.9,765,004 on 22 November 2018 and work on the project had been completed on 04 September 2019.

Those responsible for the loss to the Provincial Council Fund should be identified and necessary action taken accordingly.

According to the recommendations obtained from the National Building Research Organization, it was an unstable land and therefore, the original project was suspended in consultation with the relevant parties and the work was completed subsequently.

(b) Construction of Haliela Computer Resource Training Center

Deputy Chief Secretary (Engineering Services) had entered into an agreement with a contractual company for Rs. 68,848,145 on 27 June 2016 and an advance of Rs. 13,760,000 had been paid on 29 August 2016. Although the work should have been completed by 21 June 2017, work had not been completed even by

Action should be taken to recover the relevant money and complete the work

Legal action is being taken to recover the advance guarantee and performance guarantee. The money payable to the contractor has been

31 December 2019. The liquidated damages to be charged as per the agreement amounted to Rs. 3,422,407, whereas only Rs.1,721,204 had been recovered by 24 April 2018.

The contract with the contractor had been terminated on 09 April 2019 and the contractor had not been blacklisted under Provincial Council Financial Rules 705. Of the advance amount, a sum of Rs. 1,740,000 only had been recovered and as the validity period of the advance guarantee had expired on 21 September 2018, a loss of 12,020,000 had been incurred due to not taking action to settle the advance amount in full or extend the validity period of the guarantee.

The validity period of the performance security had expired on 31 July 2019 and therefore, it could not be recovered the Rs.3,443,000 which could have been recovered due to the failure of the contractor to reach the expected performance level.

expeditiously. The loss incurred by the Provincial Council should be covered while taking action in accordance with F.R705 of the Provincial Council Financial Rules regarding the contractor.

withheld.

(c) Construction of Kitchen and Pharmaceutical Factory of Lunugala Ayurveda Hospital

The Deputy Chief Secretary (Engineering Services) had entered into an agreement with a contractor for Rs.3,024,605 on 25 September 2018 and had paid Rs.1,107,000 with the advance by 18 March 2019. The agreement had been cancelled on 29 November 2019 due to non-completion of the contract on the due date and the liquidated damages to be charged in accordance with the agreement amounting to Rs. 151,230 had not been recovered.

The validity period of the advance guarantee had expired on 20 June 2019 and advance of Rs. 907,000 had also not been recovered. The validity period of the performance guarantee had expired on 24 September 2019 and the value of the performance guarantee of Rs. 151,300 had not been recovered.

Relevant guarantees should be encashed and action should be taken in accordance with F.R 705 of the Provincial Council Financial Rules regarding the contractor.

Out of the amount payable to the contractor, a sum of Rs. 359,790 has been retained and it is expected to settle the advance by recovering the balance from the payments due to other contracts of the contractor.

(d) Renovation of the Administrative Building of the Bibila Base Hospital

The Deputy Chief Secretary (Engineering Services)

The

The Deputy Chief

had entered into an agreement valued at Rs.50,212,829 with a private contractor on 12 December 2017. Although the successful completion of buildings worth Rs. 35 million during the last five years by the contractor selected to carry out this contract had been cited as an evaluation criterion, the selected contractor had not met this criterion. Although the Secretary General of the National Procurement Commission has informed the Chief Secretary of the Uva Provincial Council by the Letter dated 20 February 2019 to take disciplinary action against the officials responsible for awarding the contract to an unqualified contractor, the recommendations of the National Procurement Commission had not been implemented even by 24 December 2019.

recommendations referred to in the Letter No. NPC/ASG-02 / DPI / 2017 / C-46 dated 20 February 2019 of the Secretary General of the National Procurement Commission should be implemented. Secretary (Engineering Services) has appointed a committee and its activities are in progress. After completing the investigation, the progress will be reported in the future.

(e) Construction of an Official Residence at Bibila Agrarian Training Center

Having been entered into an agreement worth Rs. 5,848,901 for the construction of an official residence for the Agriculture Instructors at the premises of the Bibila Agrarian Training Center belonging to the Provincial Department of Agriculture, works had been initiated on 14 December 2018 and scheduled to be completed on 10 February 2019. However, part of it had been completed by 25 February 2020 and construction work had discontinued by 07 August 2019 and Rs.2,725,948 had been paid for the work.

Action should be taken in accordance with the agreement. It has been included in the Provincial Specific Development Grants Programme as a continuous work of the Year 2020 and submitted to the Finance Commission for approval.

(f) Construction of rest room and lavatory system at Hela Bojun Hala, Diyatalawa

Even though Rs.1,296,012 had been given to the Department of Agriculture, Peradeniya in the year 2017 relating to the construction of rest room and lavatory system at Hela Bojun Hala, Diyatalawa which is functioning under the Provincial Department of Agriculture, construction work thereof had not been completed even by 25 February 2020.

Construction of the restroom and lavatory system should be completed expeditiously. Requests have been made to the Agriculture Department, Peradeniya to return the amount of Rs.1,190,338 credited to the Government Revenue. It is expected to carry out the relevant work by another bidder once

the above money is received.

5.5 Staff Administration

5.5.1 Approved and Actual Cadre

The position of the approved and actual cadre of the Uva Provincial Council as at 31 December 2019 is given below.

(a) Provincial Ministries/ Departments and Offices (Except for the School Staff)

Category of Employees	Approved	Actual	Vacancies	Excess
(i) Senior Level	1447	996	451	-
(ii) Tertiary Level	310	196	114	-
(iii) Secondary Level	7846	6510	1336	-
(iv) Primary Level	5865	5177	688	-
(v) Other				
- Casual	-	522	-	522
- Contract	-	278	-	278
Total	15468	13679	2589	800

(b) School Staff

Category	Approved	Actual	Vacancies	Excess
(i) Principals	1077	678	399	-
(ii) Teachers	16384	17467	-	1083
(iii) Supporting Staff	2464	2822	-	358
(v) Other				
- Casual	-	14	-	14
- Contract	-	14	-	14
Total	19925	20995	399	1469

5.5.2 Other staff administration of the Provincial Councils

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

According to the Public Service Commission Circular No. 03/2019 dated 10 October 2019, seven retired

Action should be taken in

Recommendations have been referred to the

officers had been appointed to the posts of island wide and parallel services without obtaining prior approval of the Public Service Commission and a retired officer had been appointed to the post of Agronomist that had not been approved by the Department of Management Services.

accordance with the Public Service Commission Circular No. 03/2019 dated 10 October 2019. Line Ministry for the appointment of officers as per Public Service Commission Circular No. 03/2019.

5.5.3 Staff administration in the field of Education

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

- | Audit Observation | Recommendation | Comment of the Chief Accounting Officer |
|--|--|---|
| <p>(a) The numbers of teachers who have been working in the same place of work in the Mahiyanganaya Education Zone for more than 10 years was 249 and 27 teachers have been attached to the Zonal Education Office for the posts of Teacher Instructors which are not included in the Teachers' Service minute. Although the persons selected through written tests and interviews should be recruited for the posts of Principals in accordance with the provisions of the Sri Lanka Principals' Service Minute, the number of officers of Grades 1-2 (I), 2 (II) and 3 (I) of the Sri Lanka Teachers 'Service who have been appointed on an acting basis was 13, 10, 07 and 04 respectively.</p> | <p>The teacher transfer policy, the Teachers' Service Minute and the provisions of the Sri Lanka Principals' Service Minute should be complied with.</p> | <p>Eighty nine teachers who had been working for more than 10 years at the same place of work have been transferred. At the time of retirement of the principal of the school, he has assigned duties by a log entry to a an identified senior teacher.</p> |
| <p>(b) Twenty-four teachers appointed to schools in the Mahiyanganaya Education Zone had been attached to provincial and national schools in the zone and outside the zone without alternative successors and without being recognized the service requirement of school in which they were paid their salaries.</p> | <p>Action should be taken in accordance with the service requirements of the school which pays the salary and the terms of the appointment.</p> | <p>There are 08 teachers who have been further attached.</p> |
| <p>(c) There was a shortage of 07 teachers and an excess of 15 teachers at Ba/Uva Maha Vidyalaya as at 18 November 2019 and 07 teachers who had been paid their salaries from the school pay sheet were attached to national schools, provincial schools and offices.</p> | <p>Attention should be drawn on the terms of appointment, teacher transfer policy, balance and needs of the school.</p> | <p>The shortage of the teachers is 03 and the excess is 06 and the number of teachers who are paid from the school payroll and attached to national schools, provincial</p> |

council schools and offices is 06.

- (d) There was a shortage of 375 teachers and an excess of 22 teachers in 95 schools in the Welimada Education Zone by 30 June 2019. Out of these, the shortage of teachers remained 5 to 21 in 39 schools.
- Action should be taken to maintain a teacher balance by filling the vacancies.
- Action will be taken to alleviate shortage of teachers in schools by maintaining teachers' balance in the future .
- (e) Two teachers drawing salary from schools in the Welimada Education Zone had been attached to schools in other education zones and 16 teachers drawing salary from schools in other education zones had been attached to schools in the Welimada Education Zone. These attachments had been done without alternative successors and without recognizing the service requirements in schools.
- Action should be taken in accordance with the service requirements of the school which pays the salary and the terms of the appointment.
- Twelve teachers who are paid their salaries by schools in other education zones are not working in schools in the Welimada zone at present and 4 teachers have been transferred to the Welimada Zone.
- (f) The number of teachers working in the same school for more than 10 years in 73 schools in the Bandarawela Education Zone was 326.
- Action should be taken in terms of Teacher Transfer Policy.
- Sixty four teachers are over 57 years of age and 110 are over 55 years of age.
Twenty seven teachers were required to work in the same school where they were appointed for at least 10 years as per the terms of appointment.
- Other teachers are being gradually transferred

5.6 Supervision of the Local Government Authorities

5.6.1 Arrears of Revenue

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

- | (a) | The assessment tax and other revenue due to the local government authorities in the Uva Province for the year under review and the previous year was Rs. 954,781,842 as at 31 December 2019. | Action should be taken to recover the arrears of revenue. | Relevant parties have been informed on the recovery of arrears. |
|-----|---|---|--|
| (b) | According to the provisions of the Municipal Councils and Urban Councils (Amendment) Acts and Section 129 (2) of the Pradeshiya Sabha Act No. 15 of 1987, court fines and stamp duty payable to local government authorities stood at Rs. 114,982,672 and Rs. 242,218,261 respectively. | Action should be taken to settle the court fine and stamp duty payable to the local government authorities. | After the request of the local government authorities, all stamp duty and court fines approved by the Minister in charge of the subject of Province have been settled to those institutions without delay. |

5.6.2 Amount to be recovered for the surcharge certificates issued

Audit Observation

Recommendation

Comment of the Chief Accounting Officer

- | | | |
|--|---|---|
| A sum of Rs. 5,877,851 remained recoverable relating to the surcharges imposed on the office bearers and officials of the Local Government Authorities in the Uva Province as at 31 December 2019. | Action should be taken to recover the surcharges imposed. | Relevant parties have been informed regarding the recovery of surcharges. |
|--|---|---|

5.7 Tabling Annual Reports

The position of tabling the reports of the Auditor General on the financial statements of the Uva Provincial Council for the preceding 05 years is as follows.

Year	Date of Issue	Date of Tabling
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2014	2015.09.21	2016.07.14
2015	2016.12.06	2017.02.20
2016	2017.08.21	2017.09.28
2017	2018.09.28	2018.10.25
2018	2019.05.29	2019.06.13

5.8 Observations on the Unresolved Audit Paragraphs

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

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
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(a) Although 10 per cent of the monthly salary should be charged as rent from the officers entitled to the scheduled quarters as per Section 5.3.1 of Chapter XIX of the Establishments Code, contrary to that, a nominal rent of Rs. 500 per month was being charged from the Secretaries and Deputy Chief Secretaries of the Uva Provincial Council from 01 August 2008.	The recommendations of the Committee on Public Accounts held on 23 March 2017 should be implemented.	By the Letter No. /5AC/ FA / GA / 2019/09 and dated 30 May 2019 the Chief Secretary has been informed to formulate a common policy as per the recommendations of the Committee on Public Accounts held regarding the Provincial Funds within one month.
(b) The Survey Department had submitted a report on 25 November 2013 stating that unauthorized houses had been built in an extent of 2.66 perches of the land belonging to the Bandarawela District Hospital and it was further revealed that unauthorized occupants had settled in an extent of 01 acre and 0.8 perches of land in Niyadagala Pathana land where the	The recommendations of the Committee on Public Accounts held on 23 March 2017	The boundaries of the portion of the land belonging to the Bandarawela Divisional Secretariat

Welimada Base Hospital is located and constructed permanent buildings. No proper action had been taken to settle the boundaries of the lands belonging to the relevant hospitals and steps had not been taken to evict the unauthorized occupants from the lands and to secure freehold right thereof while taking action under the Government Lands (Recovery of Possession) Act No. 07 of 1979.

should be implemented. Division out of the land of 5.0863 hectares belongs to the Bandarawela District Hospital have been pointed out at present. The survey request No. 2018-24 has been forwarded to settle the boundaries of the portion of land belonging to the Haputale Divisional Secretariat. According to the decisions taken at the meeting held on 18 June 2019 with the relevant parties regarding the land of Welimada Base Hospital, relevant activities being done.

(c) The Commissioner General of Land had approved the lease of 11.056 hectares of land at Meepilimana in the Alakolagala Grama Niladhari Division in the Welimada Divisional Secretariat Division to the Sri Lanka Broadcasting Corporation for a commercial purpose for a period of 30 years on 09 May 2011. Action had not been taken to enter into a lease agreement or prepare a deed of lease for the lease of this land. The Sri Lanka Broadcasting Corporation had leased 19 acres of this land to a private party for cultivation purpose on an annual lease of Rs. 2,755,000 from 06 November 2012 and as per the assessment report dated 14 June 2012 of the District Assessor, tax revenue of Rs. 8,680,000 payable to the Uva Provincial Council by the Sri Lanka Broadcasting Corporation had not been recovered.

The recommendations of the Committee on Public Accounts held on 23 March 2017 should be implemented. A deed of lease has not been prepared for this land and this has been done at the sole discretion of the Sri Lanka Broadcasting Corporation without the intervention of the Divisional Secretariat, Welimada or the Uva Provincial Land Commissioner's Department. When obtaining a government service or preparing authority permit, the due charges should be levied in accordance with the Financial Regulations. Nevertheless, that requirement has not

been met in this process and therefore, it is not practical to recover this amount.

The Broadcasting Corporation has followed a tender procedure in this transaction and accordingly, there is no opportunity for the Divisional Secretariat or the Uva Provincial Land Commissioner's Department practically to take further action regarding this matter.

5.9 Fulfilling Environmental and Social Responsibilities

Audit Observation	Recommendation	Comment of the Chief Accounting Officer
<p>(a) Without being used the mobile incinerator worth Rs. 6,000,000 provided on 20 September 2018 to the Wellawaya Base Hospital by the Uva Provincial Ministry of Health, sharp and infectious wastes discharged from the hospital had been irregularly disposed of.</p>	<p>The incinerator should be used instead of disposing of waste irregularly.</p>	<p>Work on the first phase of installing the incinerator has been completed by now. The contract of the second phase for the construction of the protective cover of the incinerator has been awarded. Action will be taken to use the machine soon after the completion of relevant work.</p>

- | | | | |
|-----|--|---|---|
| (b) | As the sewerage system available at the Wellawaya Base Hospital was inadequate, it was frequently overflowing during the rainy season. | Steps should be taken to install an adequate sewerage system. | Proposals including a low cost concept have been forwarded to the Asian Development Bank and it is expected to find a solution for this under the relevant provisions |
| (c) | Without being recycled, the waste water from the wards and other sections except for the laboratory of the Thanamalwila Regional Hospital was being discharged into the drainage system of the Monaragala-Matara main road . | A proper system for disposing of waste should be established. | A low cost concept will be proposed and necessary steps will be taken to implement it in the future and thereby provide a solution. |