

Uva Provincial Council- Year 2020
-----1. Financial Statements
-----1.1 Qualified Opinion

The audit of the financial statements of the Uva Provincial Council for the year ended 31 December 2020 comprising the statement of financial positions at 31 December 2020 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 Section 11 (1) of the National Audit Act No. 19 of 2018 was issued on 25 October 2021 and the Detailed Management Audit Report was issued on 22 October 2021 in terms of Section 11 (2) of the National Audit Act No. 19 of 2018. 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, No.19 of 2018 and the copy thereof will be submitted to the Governor to be presented in the Provincial Council in terms of Section 23 (2) of the Provincial Council Act No.42 of 1987.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Uva Provincial Council as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

Audit Opinion	Comment of the Chief Accounting Officer	Recommendation
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(a) The accounting policy adopted to calculate the depreciation for the relevant year in the acquisition or disposal of the Property, Plant and Equipment had not been disclosed.	The Property, Plant and Equipment have been depreciated based on the balance existed as at the end of the year. Assets relating to various institutions represent in the provincial fund and those have been obtained on different dates. Accordingly, it takes a longer period to calculate the depreciation according to the duration and makes practical difficulties.	The accounting policy adopted should be correctly disclosed in the financial statements and depreciations should be calculated based on that policy.

- (b) Receivable tax and non-tax revenue totaling Rs. 143,656,105 which was at the 31 December of the year under review had not been brought to account. It has been disclosed in the accounting policies that the revenue will be accounted for on cash basis. As billing of this fee income is not taken place prior to the receipt in government accounting it cannot be brought to account on accrual basis. Itmes of account in the consolidated financial statements should be brought to account on accrual basis.
- (c) The value of stamp duty payable to Local Authorities in terms of the Uva Province Finance Charter No. 08 of 1980 had not been identified and disclosed in the financial statements. Although there is an obligation to repay the stamp duty to the Local Authorities, certain conditions have to be fulfilled in terms of the Charter to settle this liability and therefore, it takes a form of legal contingent liability. This action taken with regard to the value of stamp duty payable to the Local Authorities should be disclosed as a policy of the accounts.
- Accordingly, stamp duty is credited to the provincial fund under the prescribed revenue head and if that contingent liability has to be settled, provisions have been made under the Object No.1504 from the annual financial charter for a legal contingent liability for repayment to the Local Government Authority in terms of Stamp Duty Act, No.05 of 1993. A review on amending the provisions stipulated in the Ordinance regarding this matter is in progress at present and once the amendments are made, there is a possibility to act in accordance therewith. Until then, it is the responsibility of the Government to act in accordance with the existing provisions and accordingly,

accounts have been prepared and presented.

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| (d) | The cases filed against the Uva Provincial Council by various persons and institutions had not been identified and the relevant information had not been disclosed in the financial statements. | As contingent liabilities to be paid out of the provincial council fund had not been identified, specifically. it has not been disclosed in the provincial council fund. Action will be taken to confirm such certainties and disclose them in the financial statements in the future. | Although the responsibility was not certain, liabilities should be disclosed in the financial statements as a Note to the accounts. |
| (e) | Although the total net provisions of the recurrent expenditure as at 31 December of the year under review was Rs. 23,735,112,000 as per the statement of financial performance, it was Rs. 25,665,056,250 according to the Provincial Treasury books. Accordingly, a difference of Rs. 1,929,944,250 was observed. | Although Note 06 has been correctly stated, it has not been possible to correct in the statement of financial performance by mistake. Hence, the relevant difference has occurred. | Net provisions of the recurrent expenditure stated in the statement of financial performance should be tallied with the Treasury Books. |
| (f) | The balances of advance payable to the Provincial Treasury had not been stated in the commercial advance accounts prepared by 03 institutions of the provincial council as at 31 December of the year under review and the advance balance to be settled as per the consolidated financial statements was Rs.4,777,252. | There are unsettled imprest balances relating to the commercial advance accounts and action will be taken to recover them from the commercial advance accounts and in the absence of notes related thereto, necessary recoveries will be made after making necessary adjustments. | Information included in the consolidated financial statements should be tallied with the information of the relevant institutions. |
| (g) | When comparing total assets balance as at 31 December of the year under review included in the Form-ACA 06 of the Statement of Non-financial Assets of the Appropriation Accounts of 04 offices in the Provincial Council with the corresponding balances of the Provincial | Not commented. | Information included in the consolidated financial statements should be tallied with the information |

Treasury Books as at that date, a difference of Rs. 14,129,136 was observed.

included in the Treasury Books.

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 qualified opinion.

1.3 Responsibilities of Management and for the Financial Statements.

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

The management of each institution including the Provincial Treasury is responsible for overseeing the Company's financial reporting process.

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

1.4 Auditor's 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 misstatements, whether due to fraud or error, and to issue an auditor's summary 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 and its materiality depends on the 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;

- Appropriate audit procedures were designed and performed identify and assess the risks of material misstatement in financial statements whether due to fraud or errors in providing a basis for the expressed audit 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.

- Internal omission or the override of internal control may cause a fraud.
- An understanding of internal control relevant to the audit was obtained 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 Ministry’s internal control.
- Evaluate the 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.
- 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 Comment on the Financial Statements

1.5.1 Head 702- Public Services Commission

Fulfilment of Environmental and Social Responsibilities

----- Audit Observation -----	Comment of the Chief Accounting Officer -----	Recommendation -----
<p>The high mosquito population spreaded out in the premises where the Uva Provincial Public Service Commission, the Office of the Deputy Chief Secretary (Engineering Services) and the Office of the Director of Buildings are located could lead to the spread of the dengue epidemic. Nevertheless, appropriate measures had not been taken to prevent the mosquito menace by taking into consideration the possible threat on the surrounding community including the staff.</p>	<p>Not Commented.</p>	<p>Institutional affairs should be maintained whilst paying attention on the possible impact on the community health.</p>

1.5.2 Head -704 – Chief Minister and Ministry of Finance and Planning, Law and Order, Education, Local Government, Lands, Power and Energy, Constructions and Rural Infrastructure Facilities

(a) Revenue Management

Audit Observation

The small auditorium belonging to the Uva Provincial Library Service Board had been given on lease basis to the Rural Development Department of the Uva Provincial Council on a monthly rent of Rs.30,000 to maintain its office and according to the relevant agreement, the arrears of rent due for the period from February 2015 to December 31 of the year under review amounting to Rs. 2,130,000 had not been recovered.

Comment of the Chief Accounting Officer

These two institutes are controlled under the Uva Provincial Ministry of Education and expenditure for both institutions are borne by the Ministry. Therefore, the payment of building rents on behalf of the Department of Rural Development being an additional cost burden to the Ministry, the Board of Directors of the Library Services Board had taken a decision on 18 September 2020 not to recover the building rents from the Department of Rural Development.

Recommendation

Arrears of lease rent should be recovered in terms of the agreements.

(b) Administration of the Staff Involved in the Field of Education

According to the Public Administration Circulars No. 6/2006 dated 25 April 2006 and No. 6/2006 (ii) dated 10 November 2006, in making new recruitments to the Public Service with effect from 01 January 2006, the relevant officers should be placed at the initial stage of the salary scale applicable for the post. However, 778 recruitments to the posts of School Librarians, School Laboratory Employee and School Watchmen by the Uva Provincial Council from 2006 to 2017 had been promoted Grade II instead of being recruited to Grade III and placed in the initial stage of the salary scale applicable to Grade II, and Rs. 132,825,714 had been overpaid as the

As action is being taken to offset this overpayment from the salary increments whilst holding the future salary increments until the officer concerned reaches the applicable post, grade and the salary step, relevant issue will be solved.

Overpayment should be recovered.

basic salary from November 2006 to September of the year under review. In this regard, it had been stated in paragraph 03 (ii) of the letter of the Secretary of the National Salaries and Cadre Commission No. NSCC / 12/78/2/1 / SR dated 12 June 2020 that it is appropriate not to pay salary increments until being placed them on the relevant grade and reached the relevant salary level, whereas action had not been taken accordingly.

(c) Advance Accounting Activity of Uva Provincial Council Press

As per the Uva Provincial Council Financial Rule 503.4, action should be taken on the advance accounts activities within the prescribed limits. However, although the maximum expenditure limit of the Advance Accounting Activity of the Uva Provincial Council Press for the year under review was Rs. 25,000,000 according to the financial statement of the year under review, the actual expenditure was Rs. 26,039,800. Accordingly, maximum expenditure limit had been exceeded by Rs. 1,039,800.

In the printing activity carried out for the expeditious completion of the printing activities accumulated owing to the Covid-19 pandemic, expenditure had exceeded the maximum limit.

Limits should be get amended where neceasry.

(d) Administration of Provincial Council Staff and Other Staff

Without being appointed the staff and officers required for the Library Services Board by that institution as per Sections 6 and 7 of the Library Services Board Ordinance No. 05 of 2000, twenty seven (27) officers and employees who were paid salaries from the Chief Minister's Office and the

At present, a Director has been appointed in terms of Sections 6(a)(II) and 7 (I) of the Ordinance and schemes of recruitment (to make recruitments to the other posts) have been prepared and referred for approval.

Action should be taken in terms of Sections 6 and 7 of the Library Services Board Ordinance No. 05 of 2000

Ministry of Finance and Planning, Law and Order, Education, Local Government, Land, Power and Energy, Construction and Rural Infrastructure had been attached and employed.

Similarly, staff for the statutory bodies is approved by the Department of Management Services and eventhough the request for that purpose have been made in the year 2019 and an adequate staff has not been approved up to date, temporary attachments have thus been made until new staffs are recruited to those bodies.

1.5.3 Head-705 - Uva Provincial Ministry of Sports, Youth Affairs, Tourism, Transport, Culture, Textiles and Small Industries

(a) Management Inefficiencies

Audit Observation

Comment of the Chief Accounting Officer Recommendation

(i) Although a sum of Rs. 39,824,944 had been spent by the year 2018 for the Udawalawe Tourist Leisure, which was commenced its constructions in the year 2013 by the Uva Provincial Ministry of Sports, Youth Affairs, Tourism, Transport, Culture, Textiles and Small Industries, the Tourist Leisure and shops had not been opened to tourists even as at 31 December of the year under review and therefore, it had been failed to earn income in commensurate with the expenditure incurred thereon.

Although 11 shops built in place of the shops demolished for the construction of Udawalawa Tourist Leisure had been given to the shop owners on lease basis on 23 January 2020, business has been disrupted due to Covid-19 Pandamic. Buyers have been identified for leasing the canteen and shops of the Centre by following the tender procedure, those buyers did not come forward to enter into agreements due to Covid-19.

The Tourist Leisure and shops should be opened for the tourists.

Plans have been drawn to carry out landscape and future development activities by obtaining provisions from the central government.

- (ii) Although the kitchen and restaurant of the Kitulkote Tourism Center was completed by 18 July 2018 at a cost of Rs.20,987,306 and the toilet system was completed at a cost of Rs.6,029,215 by 02 May 2018, they had not been made use even by 31 December of the year under review and therefore, it had been failed to earn income in commensurate with the expenditure incurred.
- The suppliers who submitted bids after calling for bids for leasing the buildings at the centre which provides facilities for long distance busses did not enter into agreements due to the Covid-19 catastrophe. Therefore, plans have been drawn to establish a *Hela Bojunhala* in this venue under the Department of Agriculture targeting local tourists and a request for that purpose have been made from the Ministry of Agriculture of the Central Government.
- Expeditiopus action should be taken to make use of that centre.

1.5.4 Head-706 – Ministry of Agriculture, Irrigation, Animal Products and Freshwater Fishing

(a) Special Advance Accounting Activity for Import and Distribution of Seed Potatoes

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	Relevant measures had not been taken in terms of Uva Provincil Council Financial Rule 511 for settling the loss of Rs. 24,906,660 stated in the Advace Account presented for the year under review.	Necessary measures are being taken.	Action should be taken in accordance with Financial Rule 511.
(ii)	The balance of debt that remained receivable at the beginning of the year under review relating to the imported seed potatoes distributed among the farmers in 2003 was Rs. 10,509,070 and a sum of Rs. 197,151 only had been recovered during the year. Accordingly, recovery of debt was as low as 1.8 per cent and Rs. 10,311,919 further remained recoverable despite lapse of 17 years from the provision of seed potatoes on credit basis.	Recovery of debts remains at a poor level due to death of certain debtors, their retirement and their leaving from the areas and actions are being taken to recover the dues.	Outstanding balances should be recovered expeditiously.

- (iii) As the imported seed potatoes being rotten, a sum of Rs. 4,893,741 should have been recovered from the company. Nevertheless, that amount had not been recovered up to the end of the year under review.
- Letters were sent to the relevant company from time to time informing that the loss of Rs.4,893,741 due from the company relating to the imported seed potatoes, which were rejected at the Custom due to “Wet Rot” disease, be settled. As a favourable response was not received from that company, this matter was referred to the Attorney General’s Department.
- Due to the reasons such as failure to take action to import items after reaching a formal agreement and not seeking assistance from the International Arbitration expeditiously, recoveries should be made from the officers who neglected the responsibility.

1.5.5 Head-709-Deputy Chief Secretary (Personnel and Training) Office

Staff Administration

(a) Approved and Actual Cadre

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

(i) Provincial Council Ministries/Departments and Offices (Other than school staff)

Category of Employees	Approved	Actual	Vcancies	Excess
(i) Senior Level	1453	1015	438	-
(ii) Tertiary Level	310	183	127	-
(iii) Secondary Level	7848	6583	1265	-
(iv) Primary Level	5887	5075	812	-
(v) Other (Casual/ Temporary/ Contract basis)	-	720	-	720
(vi) Secondary Level (Unapproved Development Officers)	-	19	-	19
Total	15498	13595	2642	739

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>-----</p> <p>In addition to the approved cadre of the Uva Provincial Council, 739 employees had been informally recruited to various posts.</p>	<p>-----</p> <p>For the purpose of rejoining 19 secondary level officers to the staff, a request was again made to the Department of Management Services by my Letter No. 4/HRM/2 (Gen.) dated 23 June 2020. The Department of Management Services had not expressed its views on 720 other employees (on casual/temporary/contract basis)</p>	<p>-----</p> <p>Action should be taken to fill vacancies of the approved cadre or timely carry out the cadre revision.</p>

(ii) School Staff

Category of Employees	Approved	Actual	Vacancies	Excess
(i) Principals	1077	738	339	-
(ii) Teachers	16384	16490	-	106
(iii) Supporting Staff	2464	2653	-	189
(iv) Other (Casual/ Temporary/ Contract basis)	-	25	-	25
(v) Teachers (Unapproved)	-	642	-	642
(vi) Supporting Staff (Unapproved)	-	122	-	122
Total	19925	20670	339	1084

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
In addition to the approved cadre, 1084 officers had been attached to the scholl staff of the Uva Provincial Council.	It was observed that the number of posts which had been approved within the school staff of the Provincial Education Department prior to staff review in 2017 had been omitted in approving new cadre by the Department of Management Services and it has been referred to the Department of Management Services for reapproval.	Action should be taken to fill vacancies of the approved cadre or timely carry out the cadre revision.

1.5.6 Head-710- Department of Health Services

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

Reference to Value Laws, Rules and Regulations	Value	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
Public Administration Circular No.09/2009 dated 16 April 2009	5,700,000 Rs.	Although all the officers should use the fingerprint scanners to mark their arrival and departure, 100 fingerprint scanners purchased by the Uva Provincial Department of Health Services in the year 2017 had not been utilized for the relevant purpose up to 31 December 2020.	Although machines were installed in all the health institutions to act in accordance with the Circular, only the 37 office based officers of the above institutions use those machines. Although those institutions were informed on several	Action should be taken in accordance with Public Administrati on Circular No.09/2009 dated 16 April 2009

occasions to use the finger print machines, as the staff relating to all the posts do not use them, the staff in the hospitals and health institutions of the Uva Provincial Council do not use these machines due to objections raised by the trade unions.

(b) Management Inefficiencies

The Public Health Inspector had confirmed that the water of the natural water source that supplies water to the Haputale District Hospital was unfit for drinking due to the contaminating the water with animal faeces and the water source runs dry during the dry season. Nevertheless, a formal programme to supply essential drinking water to the hospital had not been implemented.

In order to resolve the water issue of the Haputale District Hospital, it has been included in the Plan 2021.

Action should be taken to resolve the issue considering it as a matter to be given priority.

1.5.7 Head -711 – Department of Education

(a) Idle and Underutilized Assets

Audit Observation

Comment of the Chief Accounting Officer

Recommendation

The building and land of Ba/ Dharmarama Vidyalaya at Kandepuhulpola, which had been closed from 03 July 2013, was handed over to the Welimada Divisional Secretariat from 24 September 2014, whereas they remained idle even by 18 November of the year under review without being used for any purpose.

The Divisional Secretary, Welimada has made a request on 07 December 2020 to vest this land to the Uva Provincial Department of Agriculture to maintain a seed potato manufactory, warehouse and a laboratory and accordingly, the documents relevant to that transfer together with my recommendations have been

Action should be taken to use these idle assets expeditiously for an effective purpose.

referred to the Uva Provincial Land Commissioner's Department on 11 December 2020. Accordingly, that transfer is in progress at present.

1.5.8 Head-715- Department of Animal Products and Health

(a) Commercial Advance Accounting Activity of the Boralanda Animal Farm

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>(i) When calculating the stock in hand as at 31 December of the year under review, although the weight of a buffalo should be calculated at Rs. 300 per 01 kilogram according to the report of the Committee which was appointed for assessing the value of the animals, calculation had been done at Rs.200. Accordingly, calculation for weight of 28,475 kilogram related to 87 buffaloes had been understated by Rs. 2,847,500. Similarly, as the value of three buffaloes had not been brought in to account, the stock value had been understated by Rs.109,800. Accordingly, stock in hand as at 31 December of the year under review had been understated by Rs. 2,957,300 while operating loss for the year had been overstated by that amount.</p>	<p>It is kindly informed that the error of understating the closing balance by Rs.2,847,500 due to assessing the value of the buffaloes less by Rs.100 in the calculation of the stock for the year under review will be corrected by revising the opening balance through a journal entry in the preparation of Commercial Advance Account for the year ended 31 December 2021.</p>	<p>Correct value should be accounted for.</p>
<p>(ii) As the value of 05 items of assets worth Rs. 1, 398,360 given to the farm by the Department of Animal Production and Health during the year under review had not been brought to account, the non-current assets and capital as at 31 December of the year under review had been understated by Rs.1,398,360 in financial statements</p>	<p>It is kindly informed that assets worth Rs. 1,398,360 that could not be accounted for as at 31 December of the year under review will be capitalized in the preparation of Commercial Advance Account for the year ended 31 December 2021.</p>	<p>Correct value should be accounted for.</p>

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| (iii) | As per the Uva Provincial Council Financial Rule 503.4, action should be taken regarding the advance accounts activities within the prescribed limits. However, although the maximum debit limit of the Commercial Advance Account of the animal farm for the year 2020 was Rs. 20,000,000, the current assets balance as at 31 December of the year under review was Rs. 38,026,314. Accordingly, maximum debit balance limit had been exceeded by Rs. 18,026,314. | As the weight of the animal differs, it is practically difficult to assess the value and as such, it has been notified to the Deputy Chief Secretary that the maximum debit limit has not been revised in the revision of limits in 2020 and to revise that limit in the future. | Limits should be revised where necessary. |
| (iv) | According to the Uva Provincial Council Financial Rule 509, fixed assets should be depreciated and the relevant amount should be credited to the “ General Deposit Account-Depreciation Reserve Fund” of the Provincial Treasury. Nevertheless, the depreciation value of Rs. 4,023,662 of the year under review had not been remitted to the Provincial Treasury or brought in to account as reserves. | As the farm should possess an adequate working capital to incur recurrent expenditure, depreciation amount has not been credited to the reserve fund. | Action should be taken in accordance with the Financial Rule 509. |

1.5.9 Head-716 – Land Commissioner’s Department

Revenue Management

Audit Observation

A sum of Rs. 22,421,720 with should be received to the Uva Provincial Council as at 31 December of the year under review from 06 lessees for leased lands on a long-term commercial basis by the Land Commissioner General had not been recovered.

Comment of the Chief
Accounting Officer

Having prepared new files to recover this arrears in lease, those details have been referred to the Land Commissioner General for seeking advice to take court actions against the relevant lessees.

Recommendation

Action should be taken in accordance with lease agreements.

1.5.10 Head-717 Department of Irrigation

(a) Abandoned Projects

Audit Observation

Comment of the Chief
Accounting Officer

Recommendation

In construction of the spill gate of the Siyambalanduva Karammada tank at a cost of Rs. 4,916,581 using the financial provisions made by the Monaragala District Secretary, it had been constructed at a lower height than the required level. As a result, the water in the tank did not retain adequate and weeds had grown and that cost had become a fruitless expenditure. Further, the objectives of cultivating about 50 acres of paddy lands by 20 farming families as per the project proposal had not been achieved.

The damaged bund of the tank was renovated and a spill gate has been constructed using concrete since there was no spill gate. In taking measurements of the bund of the tank, the spill gate has been constructed by limiting the height of it to an appropriate height so that upper road will not be submerged.

Prior study should be conducted and the work should be done according to the result thereof.

Only the rain water is used to fill the tank and therefore, it is more suitable to cultivate economic crops. Since the crops such as sorghum, sugarcane are already cultivated therefore the cost is not a fruitless expenditure.

The Divisional Secretary has been informed that the capacity of the tank can be expanded by using the soil in the tank for other development purposes. And as the spill gate has been constructed with a sufficient width, action will be taken to increase the height of it by a foot after studying the other rains so as not to inundate the road.

1.5.11 Head 718 - Department of Industrial
Development

(a) Commercial Advance Account on Textiles

	Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i)	The Register of Fixed Assets and the schedules with values required for verification of the balance of non-current assets amounting to Rs. 16,013,745 shown in the financial statements of the year under review, had not been made available to the Audit.	It is kindly informed that the action will be taken for preparation in due course.	A Register of Fixed Assets should be maintained.
(ii)	The limits authorized as per Financial Rule 503.4 of the Uva Provincial Council should be followed on the advance accounts. However, the maximum limit on debit balance of the commercial advance account on textiles amounted to Rs. 63,562,800 for the year under review though, the value of current assets amounted to Rs. 76,551,078 in the statement of financial position as at 31 December thus exceeding the maximum limit on debit balance by Rs. 12,988,278.	It is kindly informed that corrective measures will be taken in due course.	Action should be taken to follow the limits, or the limits should be revised otherwise.
(iii)	According to the Financial Rule 510.2 of the Uva Provincial Council, profits generated through the affairs of the advance accounts should be credited to the Provincial Council Fund, but the profit of Rs. 4,333,571 had not been so credited to the Provincial Council Fund in the year under review.	It is kindly informed that action will be taken to remit in the year 2021.	The Financial Rule 510.2 should be followed.
(iv)	A sum of Rs. 3,138,410 receivable from officers pertaining to 799 Government institutions as at 31 December of the year under review relating to the apparel sold on credit during the period 1991-2019, had not been recovered.	Action is being taken for expeditious recovery.	The dues should be recovered without delay.

(b) Light Engineering Advance Account

- (i) The Register of Fixed Assets, schedules containing values, confirmation of balances, and age analyses had not been presented for audit to verify the receivable sales income of Rs. 585,115 and the non-current assets worth Rs. 1,634,484 shown in the financial statements presented for the year under review.
- It is kindly informed that action will be taken for preparation in due course.
- The Register of Fixed Assets and documents relating to the debtors should be maintained.
- (ii) The limits authorized as per Financial Rule 503.4 of the Uva Provincial Council it should be followed on the advance accounts. However, the maximum limit on debit balance of the Light Engineering Advance Account amounted to Rs. 2,200,000 for the year under review though, the value of current assets amounted to Rs. 2,606,726 in the statement of financial position as at 31 December thus exceeding the maximum limit on debit balance by Rs. 406,726.
- It is kindly informed that corrective measures will be taken in due course.
- The Financial Rule 503.4 should be followed.
- (iii) The maximum limit on credits amounted to Rs.50,000 for the year under review, but the value of credits amounted to Rs. 545,400 as per the statement of financial position as at 31 December, thus exceeding the maximum limit on credits by Rs. 495,400.
- It is kindly informed that corrective measures will be taken in due course.
- The Financial Rule 503.4 should be followed.

1.5.12 Head 721 – Department of Ayurveda
-----(a) Non-compliances with Laws, Rules, Regulations, and Management Decisions.

Reference to Laws, Rules, and Regulations	Value	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
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	Rs.			
Public Administration Circular, No. 09/2009 dated 16	848,891	Finger scanners should be used to	Except for the employees of the Office of the Commissioner of Ayurveda and the	The Circular should be followed.

April 2009.

record the Ayurvedic hospital-arrival and Diyathalawa, employees departure in the health sector time of all pertaining to 31 the officers. institutions, do not use However, finger scanners due to 31 finger professional issues. scanners purchased by the Uva Provincial Department of Ayurveda in the year 2017 had not been made use of until 31 December 2020.

1.5.13 Head 722 - Department of Probation and Child Care Services

(a) Rendering Commitment to the Environment and Society.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
<p>The waste water replased from the Sevana child development center in Bibila belonging to the Department of Probation and Child Care Services of Uva Province, had been released to the canal along the main road without being treated. The Public Health Inspector of Yalkumbura, pointing out that releasing waste water in that manner was illegal, and a notice had been issued on 08 July 2020 under the Nuisances Ordinance, Nos, 61 of 1939 and 57 of 1946. It</p>	<p>By now, The Divisional Secretary, Bibila and the Provincial Director of Buildings have been requested to provide estimates for constructing a pit for absorbing waste water and surveys are being done accordingly.</p>	<p>A proper methodology should be put in place enabling the release of waste water.</p>

had been stated that the waste water should be properly released to an absorption pit within a period of 60 days from the date of that notice. However, no action was taken in that connection even by March 2021.

1.5.14 Head 726 – Office of the Deputy Chief Secretary (Engineering Services)

(a) Irregular Transactions

Audit Observation	Observations of the Chief Accounting Officer	Recommendation
<p>The sum of Rs. 3,544,205 being the consultancy fees for engineering applications received by the Uva Provincial Department of Buildings relating to 10 projects under the first phase of the “Health system improvement project” implemented under funds from the Asian Development Bank, had not been credited to the Provincial Council Fund contrary to Financial Rule 2.1 of the Uva Provincial Council. Furthermore, utilizing a sum of Rs. 2,862,340 from those funds, the Provincial Department of Buildings had purchased mobile phones and office equipment spending sums of Rs. 2,290,750 and Rs. 571,590 respectively contrary to provisions of the Budget Circular, No. 07/2019 dated 04 December 2019 relating to the management of public expenditure and financial prudence.</p>	<p>Not commented.</p>	<p>Financial Rule 2.1 of the Uva Provincial Council should be followed.</p>

(b) Advance Account of the Provincial Director's (Mechanical) Office -Uva.

A sum totalling Rs. 13,307,238 due from the institutions functioning under purview of the Provincial Council relating to the period 2008-2015 had been adjusted to the accumulated fund without being recovered.	Not commented.	Financial Rule 113.5 of the Uva Provincial Council should be followed.
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1.5.15 Head 731 - Department of Road Development

(a) Deficiencies in Contract Administration

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
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The project to improve the Sellakataragama-Kiriwehera road stretching over 2.4 km had been implemented at an agreed value of Rs. 58,815,876 under the climate impact mitigation project. According to No. 1.6 of the BOQ of the project, concrete should have been applied on the road to the thickness of 150 millimeters, but the thickness of the concrete applied along a stretch of 300 meters from the beginning of the road was only 120 millimeters. As per No. 1.7 of the BOQ, reinforced metal bars should have been laid on the road lengthwise and widthwise maintaining gaps of 250 millimeters. However, audit test checks conducted at 10 locations revealed that reinforced metal bars had been laid with gaps 260-280 millimeters lengthwise whereas widthwise gaps ranged between 255-280 millimeters.	Although concrete should have been applied to the thickness of 150 millimeters as per No. 1.6 of the BOQ, a report prepared based on actual measurements obtained through laboratory tests has been presented to make payments. Accordingly, it is recommended that payments be made by deducting 6.15 cubic meters of concrete from the estimated volume.	Deviations from the specifications should be corrected. Disciplinary action should be taken against the officers who were unable to detect the errors.
	What was observed in the field inspection relating to No. 1.7 of the BOQ is that the measurements	

differed due to failure in properly tying the metal bars together although the number of metal bars used was correct. Hence, instructions were issued to take remedial measures. No losses were sustained by the Government when payments were made.

(b) Uneconomic Transactions

The following observations were made in the audit test checks conducted on 05 bridges constructed by incurring a sum of Rs. 153 million under the rural bridges project implemented by the Uva Provincial Department of Road Development with provision amounting to Rs.956.7 million received from the Ministry of Public Administration, Home Affairs, Provincial Councils and Local Government.

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| (i) | <p>Due to irregularities in the Bridge No. 1125 of Galkandawatta constructed at an expenditure of Rs. 32.8 million in the division of Divisional Secretariat, Bandarawela in Badulla district, and deficiencies in the construction of road connecting thereto, the bridge could not be made use of.</p> | <p>The difficulties in the location of the bridge did not allow the construction of the bridge at a suitable height with the provision allocated. This situation would be avoided when the road is improved in due course as a concreted road by properly preparing the slope. It is informed that this improvement</p> | <p>In case of errors in the plans or estimates if any, an inquiry should be held against the officers responsible. Measures should be taken expeditiously to make the bridge usable.</p> |
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should be done by the institution to which the road belongs.

- (ii) As the road connecting the Kurukudegama-Baduwatta Bridge, No. 2243 to Kurukudegama constructed at an expenditure of Rs. 25.5 million in the division of Divisional Secretariat Hali Ela in Badulla district, had not been wide enough, the road could not be made use of for vehicular movement.
- As the road to Kurukudegama access road had been affected by landslides at the time of constructing the bridge, the said bridge had been constructed at the request of the villagers. At the time of constructions, vehicular movement had been facilitated on either sides of the road. The relevant Pradeshiya Sabha should widen and improve this road.
- In case of errors in the plans or estimates if any, an inquiry should be held against the officers responsible. Measures should be taken expeditiously to make the bridge usable.
- (iii) As the road to the right of the bridge Number 1843, Pitapola, Uduthure constructed at a value of Rs. 33.4 million in Nawalagama, Balleketuwa in the division of Ella Divisional Secretariat of the Badulla district, had not been constructed, that road could not be made use of by the vehicles.
- The road is located at the left end of the bridge, and 16 meters of that road had been constructed by us, but 40 meters still remain to be constructed. Thus, the bridge connects the road. That access to the vehicles could not be provided can not be agreed upon. The bridge, after being constructed, had been handed over to the relevant Pradeshiya Sabha. In order to ensure the maximum
- In case of errors in the plans or estimates if any, an inquiry should be held against the officers responsible. Measures should be taken expeditiously to make the bridge usable.
- Before constructing the bridge, consent of the relevant Pradeshiya Sabha should be obtained that the bridge would be made use of by developing the road.

- use of the bridge, the Pradeshiya Sabha should prepare the road over a length of 40 meters.
- (iv) The bridge number 1130 had been constructed in Hettipolawatta at an expenditure of Rs. 33.2 million at Kumbalwela in the division of Ella Pradeshiya Sabha in Badulla district. The left side of that bridge had been connected to the Badulla – Bandarawela main road whereas the right side adjoined a tea estate having no access road. As such, vehicular movement was not possible.
- It is incorrect to state that the said bridge had been constructed at a location lacking space to be connected to a road suitable for vehicular movement. Although there had been a foot bridge, this bridge had been constructed at the request of the villagers.
- The road should be connected to the bridge over a 30 meter stretch along a private land to the right of the bridge. As such, the Pradeshiya Sabha has been informed to take further action. Thus, it was not a futile expense.
- In case of errors in the plans or estimates if any, an inquiry should be held against the officers responsible. Measures should be taken expeditiously to make the bridge usable.
- (v) Due to reasons such as, the right end of the Galthennahena, Weliarawa bridge number 1844 constructed at the Yahalaarawa village in the division of Ella Divisional Secretariat in Badulla district spending a sum of Rs. 28.2 million had been connected to a paddy field, and an access road had not been properly connected to the bridge, the expenditure incurred thereon had become uneconomic.
- The audit observation is true. That end is connected to the road on the right side of the bridge. The said paddy field belongs to the Nawalagama Purana Rajamaha Viharaya and Rawana Ella Purana Rajamaha Viharaya. The relevant incumbent Buddhist monk has
- In case of errors in the plans or estimates if any, an inquiry should be held against the officers responsible. Measures should be taken expeditiously to make the bridge usable.

expressed his consent to construct the said stretch of road, as such, the Pradeshiya Sabha should take further action. Hence, it was not an uneconomic expenditure.

1.5.16 Head 736 - Office of the Deputy Chief Secretary (Financial Managmnet)

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

Reference to Laws, Rules and Regulations	Value	Non-compliance	Comment of the Chief Accounting Officer	Recommendation
	Rs.			
Section 04 of the Budget Circular, No. 07/2019 dated 04 December 2019.	50,389,479	Despite being instructed that no office equipment be purchased in the year under review, furniture and office equipment had been purchased.	The said Circular is relevant to the budget of the year 2019. Those expenses had been incurred to maintain the institutional activities of all the institutions. The Circular stated that no works be commenced anew which means that new identifications should not be made and new projects should not be	As the provisions of the Circular. No. 07/2019 had been made further valid through Section 5.3 of the Budget Circular, No. 09/2019 dated 31 December 2019, such provisions should be followed.

implemented.
The Circular does not restrict the replacement of assets for maintaining the status quo when the equipment of the office become non-functional.

Financial Review

Financial Result

- (a) According to the financial statements presented, the financial result of the Provincial Council Fund was a deficit of Rs. 1,813,542,623 for the year ended as at 31 December 2020 as compared to the corresponding deficit of Rs. 3,230,237,968 in the preceding year.
- (b) Variations in Revenue and Expenditure

A summary of revenue and expenditure relating to the year under review and the preceding year in accordance with the financial statements presented, is given below.

	Revenue					
	2020			2019		
	Budgeted	Actual	Variance	Budgeted	Actual	Variance
	Rs.	Rs..	Rs..	Rs.	Rs.	Rs.
Revenue relating to the Items of the Provincial Council						
Tax Revenue	1,708,220,000	1,531,152,211	(177,067,789)	4,877,230,000	3,199,744,392	(1,677,485,608)
Non Tax Revenue	579,780,000	500,893,829	(78,886,171)	477,705,000	477,577,071	(127,929)
Government Grants	25,476,441,742	25,476,441,742	-	23,138,000,000	21,249,500,000	(1,888,500,000)
Total	27,764,441,742	27,508,487,782	(255,953,960)	28,492,935,000	24,926,821,463	(3,566,113,537)
Expenditure						
Recurrent Expenditure						
Personnel Emoluments	19,254,178,223	20,843,181,286	(1,589,003,063)	19,248,388,223	19,129,812,766	118,575,457
Other Recurrent	4,480,933,777	4,166,992,029	313,941,748	4,480,933,777	5,036,621,893	(555,688,116)

Sub-total	23,735,112,000	25,010,173,315	(1,275,061,315)	23,729,322,000	24,166,434,659	(437,112,659)
Government Investments	1,942,498,447	657,555,271	1,284,943,176	4,472,728,157	967,863,593	3,504,864,564
Total	<u>25,677,610,447</u>	<u>25,667,728,586</u>	<u>(9,881,861)</u>	<u>28,202,050,157</u>	<u>25,134,298,252</u>	<u>3,067,751,905</u>

The following observations are made in that connection.

- (i) A sum of Rs. 25,010,173,315 had been incurred on recurrent activities out of the total expenditure for the year amounting to Rs. 25,667,728,586. Only a sum of Rs. 657,555,271 accounting for 3 per cent of the total expenditure had been spent on development activities of the Provincial Council. Not commented. More attention should be drawn on provincial development activities.
- (ii) A net provision of Rs.42,711,718 had been made for the capital Object, No. 2401 on staff training, and 62 per cent of that amount equivalent to Rs. 26,277,541 had not been utilized. Not commented. The total provision made should be utilized.
- (iii) According to Public Administration Circular, Nos. 21/2013 dated 07 October 2013 and 03/2016(1) dated 01 July 2016, payments on overtime and holiday pay should be managed within the limits of provision allocated through the annual budget. In addition to the provision of Rs.1,709,493,500 made through the annual budget on the said payments, an additional provision of Rs. 204,637,585 had been made, and a sum of Rs. 1,913,073,657 had been spent therefrom. Furthermore, provision amounting to Rs. 365,300 had been transferred to other Objects under Financial Rule 66. Funds are allocated through the annual financial statements by considering the provision initially made for the Provincial Council, but the actual requirement is more than that. Additional provision should be made for the health sector, being an essential service, to be maintained without protests. About 95 per cent of the liabilities that had exceeded the limit on provision, were related to expenses incurred on maintaining the essential services such as the Department of Health. Such liabilities had been incurred. The approved limit on provision should be adhered to. Additional provision should be made under Financial Rule 66 and supplementary estimates.

Commitments valued at Rs. 172,988,482 had been incurred by the end of the year in excess of the provision made on the Object No. 1002 relating to overtime and holiday pay.

- (iv) The total liabilities of the Provincial Council amounted to Rs. 324,323,594 as at 31 December of the year under review. Contrary to Financial Rule 94.1 of the Provincial Councils, commitments totalling Rs. 252,029,445 had been incurred with respect to 09 recurrent Objects and 02 capital Objects in excess of the annual limit on provision.
- Funds are allocated through the annual financial statements by considering the provision initially made for the Provincial Council, but the actual requirement is more than that. Additional provision should be made for the health sector, being an essential service, to be maintained without protests. About 95 per cent of the liabilities that had exceeded the limit on provision, were related to expenses incurred on maintaining the essential services such as the Department of Health. Such liabilities had been incurred under Financial Rule 94.2.
- Priorities should be identified and estimates should be prepared under a proper plan.

(d) Management Inefficiencies

- (i) According to the financial statements of the Uva Provincial Council, imprests of Rs. 25,340,185 receivable from a Divisional Secretariat and 06 institutions under purview of the Provincial Council had not been settled as at 31 December of the year under review.
- The relevant institutions have been informed to settle the imprests to the provincial Treasury.
- As per Financial Rule 366.5.2 of the province, the balance of the imprest by the end of the year should be settled prior to 10th day in January of the ensuing year or the date specified by the Treasury.

- (ii) Deposit balances totalling Rs. 104,551,191 as at 31 December Of the year under review relating to 27 institutions and older than 02 years after being deposited, had not been disposed as per Financial Regulation 571. The institutions have been informed to dispose the deposits in terms of Financial Regulation 571. As such, action will be taken accordingly. Action should be taken on the lapsed deposits in terms of Financial Regulation 571.
- (iii) A sum of Rs. 85,217,140 being the balance of loans receivable from officers pertaining to 29 Ministries, Departments, and 29 offices of the Uva Provincial Council who had been transferred, deceased, retired, interdicted, or vacated the post, had not been recovered. Action will be taken to settle those loan balances in due course. Settlement should be down as per provisions of Circulars.
- (iv) Loan balance totalling Rs. 70,027,091 pertaining to officers transferred to 18 miscellaneous institutions including the Ministries and Departments of the Uva Provincial Council from other institutions, had not been settled. Action will be taken to settle those loan balances in due course. Action should be taken in terms of Chapter XXIV of the Establishments Code, Financial Rule 485 (4) of the Uva Province, and the Circular, No. 2004/01 of the Chief Secretary of the Uva Province, dated 08 January 2004.
- (v) The value of current assets amounting to Rs. 40,566,157 shown in the financial statements of the Provincial Council as being receivable over a period of 10 years, had not been recovered even by 31 December of the year under review. The relevant Heads of institutions have been informed on the balances receivable from the officers relating to seed potato account. Action should be taken to recover the loan balance.

1.5.17 Head 737 – Office of the Deputy Chief Secretary (Planning)

(a) Provincial Development Plan

Under the provincial development plan for the year under review, 1,485 project proposals at an estimated value of Rs. 2,236 million had been approved with respect to new and continued works. Progress of those project proposals was as follows.

Description on the Completion of Projects	New Works	Continued Works	Total Work Proposals
Fully completed.	616	799	1415
Completed over 50 per cent.	32	23	55
Completed less than 50 per cent.	9	-	9
Not commenced.	5	1	6
Total	<u>662</u>	<u>823</u>	<u>1,485</u>

The following observations are made in that connection.

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
(i) Three activities estimated for Rs. 93,300,000 to be executed under the primary treatment services development project, had been abandoned without being commenced in the year under review.	As the provision estimated for the projects had not been granted fully, the works had not been commenced due to lack of provision.	Provision should be taken into consideration prior to preparing project estimates.
(ii) Development activities had been executed by September 2018 using provision totalling Rs. 10,000,000 provided through the Farmers' Trust Fund in the year 2017 to develop infrastructure facilities relating to the commencement of courses of the level NVQ-5 by the Farmers Training Center in Bibila functioning under the Uva Provincial Department of Agriculture. Nevertheless, the expected objective of commencing NVQ-5 courses had not been achieved even by 31 December of the year under review.	Despite being scheduled to commence the courses in the year 2020, it could not be done so due the spread of Covid-19 pandemic and lack of provision. Provision was allocated in the year 2021 under province-specific development grants, and action has already been taken to commence the courses in this year.	Action should be taken to achieve the objectives.

1.5.18 Head 712 – Department of Local Government

(a) Outstanding Revenue

Audit Observation	Comment of the Chief Accounting Officer	Recommendation
Rates and other revenue totalling Rs. 725,530,590 receivable to the local authorities of the Uva province as at 31 December of the year under review relating to the preceding years, had not been recovered.	The local authorities had taken action for the recovery of outstanding revenue, but the recovery process was temporarily crippled due to the Covid-19 pandemic in the preceding year and the year under review. Furthermore, all the local authorities have been informed on the recovery of outstanding revenue.	The outstanding revenue should be recovered.

(b) Funds Receivable on the Surcharge Certificates Issued.

The sum of Rs. 5,533,839 receivable with respect to the surcharges imposed on officers and office bearers of the local authorities functioning in Uva Province as at 31 December of the year under review, had not been recovered.	<p>Progress in the recovery of surcharges is as follows.</p> <p>Pradeshhiya Sabha, Velimada : payment is in progress.</p> <p>Pradeshhiya Sabha, Thanamalvila : A case has been filed relating to surcharges.</p> <p>Pradeshhiya Sabha, Buttala : Despite being informed that a sum of Rs. 120,850 be paid after considering the appeals, the payment has not yet been paid.</p> <p>Pradeshhiya Sabha, Siyambalanduwa : A sum of Rs. 18,008 remains as payable.</p>	Prompt action should be taken for the recovery of surcharges imposed.
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