

## Uva Provincial Council -2022

### 1. Financial Statement

#### 1.1 Qualified Opinion

The audit of the financial statements of the Uva Provincial Council for the year ended 31 December 2022 comprising the statement of financial position as at 31 December 2022 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 Councils Act, No. 42 of 1987 and provisions of the National Audit Act, No. 19 of 2018. The Summary Report was issued on 29 May 2023 in terms of Section 23(2) of the Provincial Councils Act and provisions in Sub-section 11(1) of the National Audit Act, No. 19 of 2018. The Detailed Management Audit Report was issued on 31 May 2023 in terms of Sub-section 11(2) of the National Audit Act. This report is presented to Parliament in pursuance of provisions in Article 154(6) of the Constitution and Sub-section 10(1) of the National Audit Act and a copy of the report is submitted to the Governor for tabling at the Provincial Council in terms of Section 23(2) of the Provincial Councils Act, No. 42 of 1987.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of my report, the financial statements give a true and fair view of the financial position of the Uva Provincial Council as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

#### 1.2 Basis for Qualified Opinion

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
(a) Eight lawsuits instituted against the Uva Provincial Council had not been recognized and disclosed in the financial statements as per Sri Lanka Public Sector Accounting Standard 8.	Contingent liabilities payable specifically from the Provincial Council Fund for lawsuits instituted against the Provincial Council, had not been recognized and as such, disclosures thereon had not been made in the Provincial Council Fund. Further, action will be taken to disclose after confirming such payments specifically.	Action should be taken as per Sri Lanka Public Sector Accounting Standard 8.

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| (b) | The profit totalling Rs.41,689,849 earned in 05 Commercial Advance Accounts of the year 2022, had not been credited to the Provincial Council revenue in terms of the Provincial Council Financial Rule 510.2 (b).   | As an adequate balance should be retained for the purchase of raw materials necessary for production activities of the ensuing year, and for payment of salaries of Technicians, the profit has not been credited to the Provincial Council Fund. Action will be taken to credit the profit to the Provincial Council Fund considering the cash flows received. Out of the profit of the relevant year, sums of Rs.15 million from Okkampitiya Seed Farm, Rs.1 million from Mechanical Engineering Office and Rs. 3 million from the Press, have been credited to the Provincial Council Fund by 11.04.2023. | Action should be taken in terms of the Provincial Council Financial Rule 510.2 (b). |
| (c) | Depreciation for fixed assets valued at Rs.19,884,214 allocated for the year 2022 relating to 03 Commercial Advance Accounts, had not been credited to the Provincial Treasury Depreciation Reserve Fund in terms of the Provincial Council Financial Rule 509.1.                                  | Even though adjustments for depreciation had been made in relevant Commercial Advance Accounts, depreciation relating thereto should be credited to the Provincial Fund as reserves. Nevertheless, action has not been taken to credit to the Provincial Fund as it is not available in accounts as cash. It has been informed to take action to retain adequate amount and to send to the Provincial Council Fund. Moreover, a sum of Rs. 3,093,628 relating to the reserve of depreciation in 05 Commercial Advance Accounts has been credited to the Provincial Council Fund by now.                      | Action should be taken in terms of the Provincial Council Financial Rule 509.1      |
| (d) | A sum of Rs. 521,967 had been overstated in the prepaid balance amounting to Rs. 1,894,574 submitted as at 31 December 2022 in the statement of financial position of consolidated financial statements, thus observing an over computation in current assets, total recurrent expenditure and the | An error has occurred in computing and reporting payments made in advance by the Deputy Chief Secretary (Admin) and action will be taken in the ensuing year to rectify the effects occurred due to these balances.  | Pre-paid balance should be indicated accurately in the financial statements.        |

deficit of the year under review by the same value.

- (e) The balance of Rs.4,816,374 indicated as receivables from authorized advance accounts in the statement of consolidated financial position from over a period of 05 years up to 31 December 2021, had been indicated as an unsettled imprest balance relating to the Department of Industrial Development in the statement of financial position as at 31 December of the year under review. Nevertheless, according to books and records of the said Institution, such a balance was not available.
- The balance indicated as accounts receivable from authorized advance accounts as at 31.12.2022, has been transferred to the Unsettled Imprest Account of the Department of Industrial Development through journal entries. Accordingly, the relevant institution has been briefed thereon and instructions have been given to take action to adjust the said balances through the accumulated fund of the said institution and to send the relevant money to the Provincial Fund. As a result, of this amount of Rs.4,816,374, a sum of Rs. 4,550,955 has been received by 16.05.2023.
- Information included in the consolidated financial statements should be complied with the information included in the Commercial Advance Accounts.
- (f) Accrued expenditure of 10 institutions shown in the consolidated financial statement as at 31 December 2022, was not reconciled by Rs. 96,708,302 with the value of liabilities in the Appropriation Accounts submitted by the said institution.
- According to records made relating to Appropriation Accounts, it was recorded to rectify the effect on each accounts unit occurred thereby, in the ensuing year. Relevant institutions have been called for explanations thereon. It has been recorded to submit accounts for audit only after the checking it through the Provincial Treasury in the ensuing year.
- Information included in the consolidated financial statements should be tallied with the information included in the Appropriation Account relating to institutions.
- (g) According to the Appropriation Account of the Uva Provincial Department of Agriculture, the balance of the General Deposit Account was not reconciled with the balance submitted relating thereto by Rs.74,411,154 as per the consolidated financial statements,.
- The amount indicated in the consolidated financial statements is accurate. In indicating information in the Appropriation Account, false information has been submitted. Instructions have been given to rectify the said false information in the Appropriation Account in future.
- Information included in the consolidated financial statements should be tallied with the information included in the Appropriation Account relating to institutions.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuS). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section in this 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 the Management for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 misstatements, whether due to fraud or error.

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

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 the preparation of annual and periodic financial statements.

### **1.4 Responsibility of the Auditor for the Audit of 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 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. Misstatement 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 skepticism throughout the audit, I also,

- Appropriate audit procedures were designed and performed to identify and assess the risk 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.
- 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 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 those charged with management regarding among other matters, significant audit findings including any significant deficiencies in internal control that I identified during my audit.

## 1.5 Comments on Financial Statements

### 1.5.1 Head 700 - Governor's Office

#### Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The Official Residence of the Chief Minister had been provided as an additional residence to the Uva Provincial Governor and the said residence had been provided for the use of Governor's staff without charging rentals. Moreover, expenditure on water and electricity bills totalling Rs.314,761 payable by the said staff relating to the period from January 2021 to October 2022, had been paid by the Uva Provincial Council Fund.	The Official Residence reserved for the Chief Minister has been reserved temporarily for the use of the Governor considering matters such as no other person with same position is available to reserve the said residence and maintenance thereof as well should be duly carried out.	Housing rentals for the use of Official residence of the Chief Minister should be recovered and action should be taken to recover the said expenditure incurred by the Provincial Council Fund for the settlement of water and electricity bills, from the staff of the Governor.

### 1.5.2 Head 701 - Council Secretariat

#### (a) Non-compliances

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

Reference to the Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
<b>Management Services Circular</b>	Paragraph II of the Management Services Circular No. 03/2018. Despite having informed that decisions should not be taken on allowances paid to the staff of	This allowance had been paid as per the Statute No. 03 of 2017 of the	Action should be taken as per the

dated 18 July 2018

their institutions without prior approval of the Department of Management Services of the General Treasury, a special allowance amounting to Rs.1,505,817, being the aggregate amount of 25 per cent of the of the basic salary of 28 officers of the Council Secretariat of the Uva Provincial Council, had been paid to them for the period from 01 January to 30 June 2022.

Uva Provincial Council. As the Provincial Council is not functioning actively, payment of this allowance has been suspended by now. Nevertheless, the said Statute is effective further. The Committee on Public Accounts has directed at the meeting of the Committee on Public Accounts held on 09.05.2023, to the Ministry of Provincial Councils and Local Government to examine the legal powers prevailed thereon.

Management Services Circular No. 03/2018 dated 18 July 2018.

**(b) Uneconomic Transactions**

**Audit Observation**

**Comments of the Chief Accounting Officer**

**Recommendation**

A sum of Rs.4,170,265 had been paid as salaries and allowances without obtaining any service to the Uva Provincial Council for the period from 01 January to 31 July 2022, to 11 officers of the personal staff of the Chairman which was a nominal position, after ending the term of office of 6<sup>th</sup> Uva Provincial Council.

The post of the Chairman is available until the next Council is met after ending the term of office of the Provincial Council. It was informed by the Circular No. PS/CSA/11-18(ii) issued by the Secretary to the President that 02 Drivers are entitled to the personal staff of the Chairman. Moreover, according to the Circular No. PS/CSA/11-18(ii) dated 18 October 2022 issued by the Secretary to the President, the staff consisting of a private secretary, two Management Assistants, one Office Aide and a Driver, has been appointed. At present, action has been taken to pay salaries and allowances only to the approved cadre in terms of the said circular.

The amount paid to the personal staff of the Chairman should be recovered when the Council has been dissolved.

**1.5.3 Head 705 – Ministry of Sports and Youth Affairs, Tourism, Transport, Cultural and Textile and Small Industries**

**a) Management Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<p>Out of books printed by the Uva Provincial Tourism Promotion Unit at a cost of Rs. 3,581,500 with a view to targeting the tourism promotion in the years 2013, 2014 and 2020, a number of 3,930 books costing Rs.2,847,825 had remained idle in the stores without using for the relevant purpose by September 2022.</p>	<p>Even though printing activities were carried out at once considering the future requirements with a view to obtaining an advantage in printing these books as a bulk, these books are used occasionally without using at once. Action has been taken to sell some of these books such as Resplendent Uva, Visit Uva Sri Lanka, Kandukara Paradesaya properly at publication sales centres owned by the Central Cultural Fund. Moreover, publicity has been given to sell these books on websites and digital media and to provide through tourism agencies and diplomatic missions. Further, a proper arrangement has been made by the Mahiyangana Tourism Centre and Ella Tourism Information Centre to use these books for tourism promotion purposes.</p>	<p>Action n should be taken to achieve the intended objectives and to prevent these books from destruction.</p>

**(b) Uneconomic Transactions**

<p>A sum of Rs. 40,918,644 had been spent by the Uva Provincial Council by the year 2022 for the Udawalawa Tourist Rest of which constructions were commenced in the year 2013 without carrying out a feasibility study. However, the said Rest and stalls were not opened for tourists even by August 2022. As such, the Provincial Council was unable to earn income so far from expenses incurred therefor.</p>	<p>This place has been duly handed over to the relevant party as per agreements on 11.4.2023 for local and foreign tourists and accordingly, proper action is being taken by the relevant party to implement the said service efficiently.</p>	<p>Action should be taken to implement the said project and earn income to the Provincial Council.</p>
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#### 1.5.4 Head 706 – Ministry of Agriculture, Irrigation, Animal Production and Fisheries

##### Management Inefficiencies

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
The debit balance of the Seed Potatoes Special Advance Account indicated as assets in the financial statements of the Provincial Council over a period of 20 years, was Rs.9,674,749 as at 31 December of the year under review and the said balance should have been recovered monthly from 387 officers who had obtained seed potatoes on credit basis. Only a sum of Rs.323,500 had been recovered from 34 officers during the year under review and as such, it was observed that the said loans had not been recovered regularly.	Various methodologies are being followed for the recovery of the said loan and the Heads of relevant institutions have also been briefed on the recovery of them.	Action should be taken to recover loan balances duly.

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

##### Staff Administration

##### (a) Provincial Council Ministries/Departments and Offices (Except for Schools and Health Staff)

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
A number of 487 officers in secondary level and 64 other officers (casual/temporarily/ contract basis) had been deployed in the service in excess as at the end of the year under review. Number of vacancies in senior, tertiary and primary levels, stood at 703.	The excess cadre in secondary level consists of Development Officers recruited according to a national policy.	Measures should be taken to maintain the staff in a stable manner.

##### (b) School Staff

A number of 591 Teachers, 1,632 Teacher Assistants and 11 other officers (casual/temporarily/ contract basis) had been deployed in the service in excess as at the end of the year under review. There were 409 vacancies in the Principals' service.	Approved cadre of Teachers stands at 17,026. As the staff of 642 included in the information given by the Department of Management Services should be included in the	Measures should be taken to maintain the cadre of Teachers and Principals in a
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said cadre, it is mentioned that there is no excess cadre in Teachers. Moreover, the Development Officers recruited as per a national policy are the excess cadre existed in the Assistant staff. stable manner.

**(c) Health Staff**

A number of 1,007 vacancies existed in the senior, tertiary, secondary and primary levels of the Health Staff and action had not been taken to fill those vacancies.

The number of vacancies in the senior, tertiary, secondary and primary levels of the Health Staff stands at 994 while the excess cadre stands at 124.

The staff should be maintained in a stable manner.

**1.5.6 Head 710 – Department of Health Services**

**(a) Management of Assets**

**Failure in carrying out Maintenance and Repairs**

**Audit Observation**

**Comments of the Chief Accounting Officer**

**Recommendation**

**(i)** Five vehicles belonging to the Office of the Regional Director of Health Services had been handed over to private institutions for repairs during the period from 2016 to 2021. However, those vehicles had not been repaired and handed over to the Office of the Regional Director of Health Services even by 31 December 2022.

Those vehicles were met with accidents and repairing activities of them are in progress by now.

Vehicles handed over to private institutions for repairs for over a long period should be repaired expeditiously and handed over to the relevant institution.

**(ii)** Nine vehicles belonging to the Office of the Regional Director of Health Services had been handed over to the Office of the Kahagolla Provincial Director (Mechanical) during the period from 2020- to 2022. However, those vehicles had not been repaired and handed over to the Office of the Regional Director of Health Services even by 31 December 2022.

Vehicles had been handed over to the provincial vehicles repairs unit for repairs and instructions have been given to finish the repairs and to hand over for usage.

Prompt action should be taken to repair and use vehicles.

**(b) Idle and Under-utilized Assets**

- (i)** The Department of Uva Provincial Health Services had completed the installation of medical air system by 17 August 2021 in the Bandarawela District Hospital by spending Rs.4,021,483 in the year 2021 using Provincial Council Provision. Nevertheless, the said system had remained idle even by 18 November 2022.
- Action had been taken to install the said medical air system in such a manner after informing by the Health Sector that the supply of Oxygen to high risk patients was at a high level when the Corona pandemic was at its peak. According to instructions given by the Health Sector, it had been planned to use the said system for rendering a maximum service to patients, controlling the capacity prevailed in the Badulla General Hospital when the Covid pandemic was at its peak. However, as the said pandemic declined regularly, it has been planned to make use of the said system for other patients in future.
- Action should be taken to use assets promptly.
- (ii)** Two solar panel systems purchased by spending Rs.5,802,925 during the period from 2016 to 2019 for the office of the Regional Director of Health Services, Monaragala and for the stores of the Regional Medical Supplies Division, had remained idle even by 15 December 2022.
- The relevant contractor has been briefed thereon and action is being taken with the relevant institution to restore the said system.
- Prompt action should be taken to restore and to make use of it.

**1.5.7 Head 711 – Department of Education**

**School Staff**

**Audit Observation**

**Comments of the Chief Accounting Officer**

**Recommendation**

- (i)** Despite having a dearth of 142 teachers in schools belonging to Mahiyanganaya Education Zone, 23 Teachers who were appointed to schools of the said Zone, had been attached to the Monaragala and Welimada Education Zones, Mahiyanganaya Zonal Education Offices and to schools out of the Mahiyanganaya Education Zone and a sum of Rs.2,717, 137 had been paid as salaries during the period from March to October 2022.
- The relevant Teachers had been temporarily attached to the nearest schools according to a decision taken by the Government due to the fuel crisis prevailed in the country and after ending the relevant attachment period, those have reported for duty at their permanent service stations. Further, action is being taken to fill the Teachers' vacancies of this zone.
- Despite having a dearth of 142 Teachers in schools, attention of the responsible officers should be drawn to fill vacancies of Teachers by balancing their cadre.

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| (ii)  | Twenty four Teachers had been appointed to 24 posts of Teacher Advisors Service, not included in the Teacher Advisors Service Minute for the period 2000-2016 of the Mahianganaya Education Zone and a sum of Rs.72,059,450 had been paid as salaries for the period from January 2020 to September 2022.                         | The service minute of the Teacher Advisors Service has been approved by now and absorption of Teacher Advisors who are already in the service, to approved vacancies is being carried out. | Teacher Advisors should be recruited on a specific Scheme of Recruitment and dearth of teachers should be remedied through teachers. |
| (iii) | According to the cadre information of schools in the Mahiyangaya Education Zone, 42 employees belonging to 03 categories, named, Laboratory Assistant, School Labourer and Sanitary Labourer were in excess and a sum of Rs.56,041,482 had been paid as salaries by the Zonal Education Office in the years 2020, 2021, and 2022. | At present, these employees have been attached to schools and action will be taken to fill vacancies from this excess cadre without recruiting cadre in excess.                            | Action should be taken to obtain an effective and efficient service from employees by balancing the cadre.                           |

#### 1.5.8 Head 712 – Department of Local Government

##### (a) Supervision of Local Authorities

##### Arrears of Revenue

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| (i)  | Rates and other revenue totalling Rs.889,963,278 receivable as at 31 December of the year under review to the Uva Provincial Local Authorities for the year under review and the preceding year had not been recovered.  | A sum of Rs.345,408,534 should have been further recovered as at 31.03.2023.   | Action should be taken to recover arrears of revenue expeditiously.                                |
| (ii) | In terms of provisions in Section 129(2) of the Municipal Councils and Urban Councils (Amendment) Act, No.42 of 1979 and the Pradeshiya Sabha Act, No.15 of 1987, Court fines and stamp duties amounting to Rs.99,826,070 and Rs.193,145,930 recoverable to the Local Authorities, had not been granted. | Action has been taken to pay money, court fines and stamp duty demanded relating to Local Authorities, to relevant institutions. | Action should be taken to grant court fines and stamp duties recoverable to the Local Authorities. |

**(b) Amount to be levied for the Surcharge Certificates issued**

A sum of Rs.5,436,543 had not been recovered for 06 surcharges imposed on officers and representatives of Local Authorities of the Uva Provincial Council as at 31 December of the year under review.

A sum of Rs.4,713,213 should have been recovered as at 31 December of the year under review.

Prompt action should be taken to recover the surcharges.

**1.5.9 Head 713 – Department of Cooperative Development**

**Non-compliance**

**Non-compliance with Laws, Rules and Regulations**

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
Section 46 of the Uva Provincial Council Cooperative Societies Statute No.03 of 2011 Section 10(1) of the Uva Provincial Cooperative Development Fund Statute established according to Rule 43 of Procedural Rules relating to the Statute	According to general conditions of the Cooperative Fund Statute, loans or aid should not be granted to societies which have defaulted in payment of contributions to the Cooperative Fund. However, loan amount of Rs.8,000,000 had been granted to 04 societies which have defaulted in payment of contributions.	The said loan amount has been granted with a view to providing adequate financial facilities to carry out business activities of societies instead of depositing money collected in the Cooperative Development Fund, in the current account, fixed deposit account. Moreover, arrears of contributions and loan amounts receivable to the Cooperative Fund, are being recovered and loan amounts payable by 02 societies have been totally paid by now.	Action should be taken in terms of the Uva Provincial Cooperative Development Fund Statute.

**1.5.10 Head 714 – Department of Agriculture**

**Management Inefficiencies**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
The financial fraud relating to missing of salary money amounting to Rs.440,990 which has been carried out 10 years ago in	Investigations in this regard are still in progress and it has been mentioned that no final	Action should be expedited to recover the unsettled balance

the Department of Agriculture, had not decision has been made from responsible  
 been settled even by 31 December 2022. thereon. officers.

#### 1.5.11 Head 715 – Department of Animal Production and Health

##### Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The Ministry of Rural Economy has spent a sum of Rs.48 million and imported 100 highbred milch cows from Australia and provided to Borlanda Government Livestock Farm on 24 December 2017. However, 32 of those milch cows and 119 calves born to them had died during the period between the year 2018 and 15 August 2022 and the inefficiencies in the management of the farm had resulted therefor.	These animals imported from a foreign country have died due to reasons such as inability in adapting to the climatic and weather conditions in our country and thereby having to face diseases, lack of immunity to diseases in Sri Lanka ,lack of cattle sheds of prescribed standard and malnutrition due to lack of food suitable for imported animals.	Action should be taken against the officers who were involved in this purchase without a proper feasibility study.
(ii) The Borlanda Government Livestock Farm is spread over an extent of about 220 Acres and it was observed that about 50 Acres of that could be utilized to grow grass. However, only an extent of 14 Acres had been utilized to grow grass by the year 2022 and as such, providing grass for cattle food from the farm had been limited. Moreover, a sum totalling Rs.4,102,698 comprising Rs.2,071,407 and Rs.2,031,291 had been spent respectively for growing grass and laying pipelines in the year 2018 under the Provincial Specific Development Grants. However, the relevant purposes had not been implemented continuously and efficiently.	Growing grass was commenced in the year 2018 and by then the only water source available for use of farm constructions, other activities such as cleaning of sheds was the lake. Moreover, growing of grass has not been properly maintained due to the lack of water in the lake for all activities of the farm with the dry weather which prevailed at that time. Nevertheless, a certain extent of grass which was commenced growing in the year 2018 still remains and that grass is provided to the animals.	Steps should be taken to fulfill the food requirement of animals through the project executed by spending Rs.4.1 million for providing grass necessary for farm animals through the farm.
(iii) A main objective of operating the Borlanda Government Livestock Farm was to reproduce milch cows of highbred and distribute within the Uva Province and thereby increasing the production of milk.	A considerable number of these animals that were imported from a foreign country died due to lack of immunity level as in local	The management should take steps to achieve the objectives of maintaining the

However, the said objective had not been achieved since only 20 female calves had been sold to dairy farmers by the farm during nearly a period of 05 years from the year 2018 to August 2022.

animals with European origin and inability of adapting to the climatic and weather conditions of our country. Accordingly, milch cows could not be reproduced and produced to market as expected.

#### 1.5.12 Head 716 – Land Commissioner’s Department

##### Revenue Management

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
Rentals amounting to Rs.81,827,636 in arrears as at 31 December 2022 had not been recovered from 109 lessees relating to 110 long term lease permits granted as leaseholds on commercial basis for long term lease of lands by the Land Commissioner General.	A sum of Rs.7,976,473 has been recovered from this amount. There are hindrances to the recovery of these arrears of lease on appeals of lessees relating to the lease assessment, death of the lessee, termination of the leasehold and the necessity of inflation adjustments for leaseholds. Nevertheless, necessary measures have been taken to recover arrears of lease continuously.	Action should be taken to recover arrears of lease.

#### 1.5.13 Head 721 – Department of Ayurveda

##### Idle and Underutilized Assets

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
A sum of Rs.256,250 had been incurred on 18 June 2021 by the Uva Provincial Department of Ayurveda to purchase 05 Innovex – 7Kg fully automatic washing machines. However, 04 of those machines valued at Rs.205,000 had remained idle by 30 November 2022.	These items of equipment were purchased for Covid treatment units and by now the said items of equipment have been referred to the use of hospitals treating other diseases.	Steps should be taken to minimize expenses incurred for maintaining public services by utilizing these machines.

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

##### Deficiencies in Contract Administration

Audit Observation	Comments of the Accounting Officer	Recommendation
<p>(i) In the settlement of bills to registered contractors who pay Value Added Tax, clearance certificates should be obtained to prove the activeness of tax files of the contractor relating to each period before payment of cash. However, action had not been taken accordingly with regard to five development projects implemented by two institutions belonging to the Uva Provincial Council. As such, Value Added Tax totalling Rs.8,246,513 paid to the contractor, had not been remitted to the Commissioner General of Inland Revenue.</p>	<p>It has been confirmed by the letter dated 09.06.2017 of the Commissioner of Inland Revenue that Denuwan Engineering (Pvt) Limited, the contractor who carried out constructions of the five storeyed housing complex being constructed for public officers of the Uva Provincial Council, is an active taxpayer under VAT Registration No.114505005.</p>	<p>Action should be taken to confirm tax activeness and to pay VAT on clearance certificates.</p>
<p>(ii) Constructions of the five storeyed housing complex for the Uva Provincial Council officers had been estimated at Rs.131.2 million in the year 2016 and the contract had been awarded for Rs.88.1 million. Even though a sum of Rs.49.7 million had been paid to contractors for this construction of which works were due to be completed on 09 May 2018, works have not been completed so far. An estimate of Rs.155.2 million had been submitted for completion of delayed works of the remaining 45 per cent of the works. A delay of 04 years is observed in these constructions due to deficiencies in contract administration and a sum of Rs.204.9 million had to be incurred for constructions which could have been completed for Rs.88.1 million due to revisions of the estimate from</p>	<p>This construction commenced in the year 2016 and as awarding of bids was not accepted, it was discontinued by a court procedure. As such, the second procurement was commenced on 14.09.2017 and constructions were carried out successfully until the beginning of the year 2019. A third procurement was commenced in the year 2020 due to the serious illness of the contractor and bankruptcy in his business by the year 2019 and the said agreement was cancelled exparte by him according to the situation that prevailed in the country then. Procurement activities have been repeated in the year 2022. It has been planned to complete future activities in parts according to the prevailing financial situation. The Parliamentary Committee on</p>	<p>Expeditious action should be taken to complete relevant remaining works of the contract and to handover the quarters to officers.</p>

time to time. Accordingly, an additional sum of Rs.73.7 million exceeding the original estimate had to be incurred to complete works which should be further executed.

Accounts held on 09.05.2023 was notified of the said situation.

- (iii) Constructions of the kitchen and pharmacy of the Ballaketuwa Ayurvedic Hospital had been commenced under provision of Rs.05 million in the year 2021 under Provincial Specific Development Grants (PSDG) with the expectation of making the remaining provision in ensuing years with the intention of improving treatment services and earning revenue by providing ayurvedic facilities to foreigners. An estimate of Rs.23,773,512 had been approved therefor by the Uva Provincial Commissioner of Ayurveda on 07 July 2021 and agreements to the civil works value of Rs.19,298,823 had been entered into on 06 September 2021 with a private contractor. In terms of agreements, constructions had to be completed on 05 March 2022. However, it was observed at the physical inspection carried out on 22 February 2023 that constructions had been discontinued after carrying out only 45 per cent of the works mentioned in the estimate. A payment of Rs.2,158,689 had been made for the works carried out.

It has been decided to carry out the future activities of the works in the year 2024 and according to the National Budget Circular 03/2022, the agreement of the constructions has been cancelled.

Strict attention should be paid by relevant parties on contract administration and to execute activities of the constructions within the agreed period.



### 1.5.15 Head 727 – Provincial Department of Revenue

#### Non-compliance

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

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<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>Management Services Circulars</b>			
Paragraph II of the Management Services Circular No.03/2018 of 18 July 2018 and letter No.PS/PCMD/SD/01/08 of 29 March 2019 of the Secretary to the President	A sum of Rs.29,920,368 had been paid as incentive from the year 2018 to the first half year of 2022 to the staff of the Uva Provincial Department of Revenue without obtaining prior approval and the Department of Management Services of the General Treasury and without recommendations of the National Salaries and Cadre Commission and the Finance Commission.	Payment of incentive of the Uva Provincial Department of Revenue has been made through Gazette No.2142/91 of 28 September 2019. It has been indicated under Financial Rule 104(4) of the Uva Provincial Financial Statute No. 08 of 1990, that a fund should be established for payment of incentive. Funds for payment of the said incentive are collected by remitting the excess money received from checking instruments with less values, to the Provincial Council Fund.	Action should be taken to obtain recommendations of the National Salaries and Cadre Commission and the Finance Commission and in terms of the Management Services Circular No.03/2018 of 18 July 2018.

### 1.5.16 Head 736 – Deputy Chief Secretary (Financial Management) Office

#### (a) Non-compliance

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

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
<b>(I) Establishments Code</b>			
Provisions of Chapter XXIV of the	Action had not been taken in terms of referred regulations	The loan balance as at 31.12.2022	Action should be taken in

<p>Establishments Code and Circular No.2004/01 of 08 January 2004 of the Uva Provincial Chief Secretary on Settlement of Loan Balances</p>	<p>on the loan balance of 74,528,288 recoverable from officers deceased, retired, interdicted and left the service having served in ministries, departments and offices of the Uva Provincial Council.</p>	<p>amounts to Rs.72,243,988 and these loan balances remain between the Central Government and institutions under the Provincial Councils. Furthermore, the loan balance recoverable from the Department of Pensions is Rs.16,058,475. Action will be taken to recover these loan balances from relevant Provincial Councils and institutions under the Central Government.</p>	<p>accordance with provisions in Chapter XXIV of the Establishments Code.</p>
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**(II) Financial Regulations**

<p>F.R.571</p>	<p>An undisposed general deposit balance of Rs.38,589,322 lapsed for 2 years relating to 33 institutions remained as at 31 December 2022.</p>	<p>This balance lapsed for 2 years as at 31.12.2022 amounts to Rs. 38,589,322 Action will be taken within the few ensuing months to maintain deposit money on legal requirement despite the lapse of 2 years and to dispose of the remaining money and to take the remaining balances to the revenue of Provincial Councils.</p>	<p>Action should be taken in terms of Financial Regulation 571 relating to lapsed deposits.</p>
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**(b) Revenue Management**

<b>Audit Observation</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
The total net arrears of the total revenue as at 31 December 2022 was Rs.159,955,481 and adequate steps had not been taken to recover those arrears.	Relevant institutions have been already informed on recovery of arrears. Recovery of those arrears is in progress now.	Action should be taken to recover arrears.

**1.5.17 Head 737 – Deputy Chief Secretary (Planning) Office**

**Non-compliance**

**Non-compliance with Laws, Rules and Regulations**

<b>Reference to Laws, Rules and Regulations</b>	<b>Non-compliance</b>	<b>Comments of the Chief Accounting Officer</b>	<b>Recommendation</b>
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**(a) Financial Rules of the Uva Provincial Council**

Rules 104.2, 104.3 and 104.4	The Lap Top computer valued at Rs.92,000 had been misplaced on 10 December 2021 or on a nearby date which was in the custody of the Deputy Chief Secretary (Planning). The preliminary report and the full report thereon which should be submitted within three months from the date of loss, had not been submitted even by 16 January 2023.	Action will be taken to obtain the full report promptly.	Action should be taken in terms of referred rules of the Financial Rules.
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**(b) Public Administration Circulars**

Paragraph 03(1) of Public Administration Circular No.03/2018 of 20 February 2018	When a retired public officer is re-employed in his previous post with or without a break in service he should be paid a monthly allowance equivalent to the monthly	Enquiries have been made by the Ministry of Public Administration in this regard	Action should be taken in terms of Public Administration Circular No.03/2018 and to
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salary drawn by him in public service at the time of retirement. Moreover, according to Paragraph 04, the “last drawn salary” means, the salary received by the officer at the time of retirement. It has also indicated that it does not include the portion of the increment earned by him from the date of the last salary increment up to the date of retirement. Furthermore, according to Paragraph 5 of the Circular, unless where the salary scale to which an officer was entitled at the time of retirement has been revised subsequently, there is no possibility of revising the pension of any officer deployed in the service on contract basis according to Paragraph 12 of the Circular. Nevertheless, 14 officers of the Uva Provincial Council, retired and re-employed in the service, had been paid salaries of Rs.3,728,598 contrary to the Circular.

and instructions recover salaries and allowances paid contrary to the circular.

have been issued relating to the pension finally paid to retired officers when they are re-employed. It is mentioned that the relevant payments have been made in accordance with the said instructions. It has been notified to recover in case of any payment not covered by the said letter.

**1.5.18 Head 738 – Deputy Chief Secretary (Administration) Office**

**Non-compliances**

**Non-compliance with Laws, Rules and Regulations**

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
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**(I) Establishments Code**

Paragraph 12.2.1 of Chapter VII of the Establishments	In appointing an officer to act in	In case of lack of officers for	Action should be taken in terms of
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Code and Rule 120 of the Procedural Rules of the Public Service Commission published in the Gazette Extraordinary No.1589/30 of 20 February 2009

another post, the officer who receives acting appointment should be appointed to a post comparable or superior to the substantive post he holds. In case of acting in a post **lower** to the substantive post he holds, an acting pay is not allowed. Contrary to that, a sum of Rs.2,434,935 had been paid as acting pay during a period of 01 to 05 years to 08 officers appointed to act in posts **lower** to their substantive posts.

appointments according to the legal background prevailing relating to vacancies existing in substantive posts, it is mentioned that in instances where acting appointments could not be made, the officers in superior posts have been deployed for acting in relevant posts and for discharge of duties on a formal appointment of the Governor. This decision has been made as half the number of officers that should be deployed specifically in island wide services, are deployed in the service in this Province.

provision of paragraph 12.2.1 of Chapter VII of the Establishments Code and Rule 120 of the Procedural Rules of the Public Service Commission published in the Gazette Extraordinary No.1589/30 of 20 February 2009.

## (II) Budget Circulars

Paragraph 2.1.3 (II) of Circular No.01/2014 of 01 January 2014

In the payment of fuel allowance to public officers, computations should have been carried out based on the **normal** petrol and diesel prices declared by the Ceylon Petroleum Corporation on the first day of the relevant month.

Even though a specific quantity of fuel litres has been mentioned in regard to payment of fuel allowances to officers who are entitled to official vehicles, no specific type of fuel has been mentioned. Accordingly, in instances where a specific type of fuel

Overpayments made, should be recovered in terms of paragraph 2.1.3 (ii) of the National Budget Circular No.01/2014 of 01 January 2014.

However, fuel has been prescribed, allowances had for new vehicles of been paid in excess the Government of Rs.7,842,436 according to during the period technical from January 2009 recommendations, to July 2022 to 72 that specific type of officers who are fuel is used. entitled to official However, it has vehicles, been decided to pay computing the for normal fuel monthly fuel from June 2022 allowance based on considering the the prices of super increase in fuel petrol and diesel as prices and shortage the price of a litre of fuel and of fuel prevailing according to the as at the first day lack of fuel types in of the month, the market and without limited provision considering the during the recent said instructions. past.

## 2. Financial Review

### (a) Financial Result

According to financial statements presented, the financial result of the affairs of the Provincial Council Fund was a deficit of Rs.3,328,737,257 for the year ended 31 December of the year under review as compared with the corresponding deficit of Rs.2,205,982,794 of the preceding year. As such, the financial result of the year under review has declined by Rs.1,122,754,463 as compared with the preceding year.

**(b) Variance of Revenue and Expenditure**

According to financial statements presented, the revenue and expenditure of the year under review and the preceding year are summarized below.

	<b>Revenue</b>		
	<b>2022</b>	<b>2021</b>	<b>Variance</b>
	<b>Actual</b>	<b>Actual</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Revenue relating to Provincial Council Items</b>			
Tax Revenue	1,583,187,067	1,513,326,027	69,861,040
Non-tax Revenue	670,373,795	612,779,708	57,594,087
Government Grants	28,518,761,554	28,343,106,749	175,654,805
Total	<u>30,772,322,416</u>	<u>30,469,212,484</u>	<u>303,109,932</u>
	<b>Expenditure</b>		
	<b>2022</b>	<b>2021</b>	<b>Variance</b>
	<b>Actual</b>	<b>Actual</b>	
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>Recurrent Expenditure</b>			
Personal Emoluments	23,781,726,765	21,985,850,940	1,795,875,825
Other Recurrent Expenditure	9,601,454,352	9,362,993,485	238,460,867
Sub Total	<u>33,383,181,117</u>	<u>31,348,844,425</u>	<u>2,034,336,692</u>
Development Expenditure of Recurrent Nature	717,878,555	1,326,350,852	(608,472,297)
Total	<u>34,101,059,672</u>	<u>32,675,195,277</u>	<u>1,425,864,395</u>
Excess/(Deficit)	(3,328,737,256)	(2,205,982,793)	(1,122,754,463)

- Development Expenditure of Recurrent Nature	717,878,555
- Capitalized Expenditure accounted as Fixed Assets	1,160,358,120
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Government Investments	1,878,236,675
	=====

The total revenue of the year under review was Rs.30,772,322,416 and Rs.28,518,761,554 of that were Government Grants. The tax revenue was Rs.1,583,187,067 representing 5 per cent of the total revenue while the non-tax revenue was Rs.670,373,795 representing 2 per cent of the total revenue. Out of the total revenue for the year amounting to Rs.30,772,322,416, a sum of Rs.28,729,939,180 for recurrent expenditure representing 94 per cent (except for depreciation) and a sum of Rs.1,878,236,675 for Government investments representing 06 per cent had been utilized.

### 3. Operating Review

#### 3.1 Performance

##### (a) Government Grants

Particulars on provision received for Provincial Council Development work proposals and utilization thereof appear below.

Source	Approved Amount	Amount spent	Underutilization
	Rs.	Rs.	Rs.
(a) Criteria based Grants	165,000,000	92,400,000	72,600,000
(b) Provincial Specific Development Grants	1,698,000,000	908,000,000	790,000,000
(c) World Bank Aid			
- Special Sectoral Development Project Grants(Education)	330,000,000	300,000,000	30,000,000
- Special Sectoral Development Project Grants (Health)	560,000,000	560,000,000	-
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Total	2,753,000,000	1,860,400,000	892,600,000
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**(b) Provincial Development Plan**

A number of 1,035 project proposals to an estimated value of Rs.2,950 million had been approved for new works and continuous works under the Provincial Development Plan for the year under review. According to the progress reports of the Provincial Council, the progress of project work proposals appear in the following Table.

<b>Project Particulars</b>	<b>Number of New Work Proposals</b>	<b>Number of Continued Work Proposals</b>	<b>Number of Total Work Proposals</b>	<b>Total Value of Estimated Works</b>
				<b>Rs.</b>
(a) Completed	438	427	865	2,949,855,177
(b) Completed over 50%	63	40	103	
(c) Completed below 50%	27	18	45	
(d) Not commenced	21	1	22	
(e) Under controversial and problematic situations	-	-	-	
Total	----- 549 =====	----- 486 =====	----- 1035 =====	