

Uva Provincial Council - 2024

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Uva Provincial Council for the year ended 31 December 2024 comprising the statement of financial position as at 31 December 2024 and the statement of financial performance and cash flow statement for the year then ended and notes to the financial statements including material accounting policy 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. The Summary Report was issued on 30 May 2025 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 29 May 2025 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 Paragraph of the basis for the qualified opinion in 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 2024, and of its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.2 Basis for Qualified Opinion

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(a) Even though contingent liabilities should be disclosed in accordance with Sri Lanka Public Sector Accounting Standard No. 8, contingent liabilities amounting to Rs. 2,300,000 related to two pending court cases against the Uva Provincial Council had not been disclosed in the financial statements	As the relevant cases are still pending trial and the exact amount of liabilities has not been determined, they have not been disclosed in the accounts under the disclosures.	Since the cases have been filed against the Provincial Council, action should be taken in accordance with Sri Lanka Public Sector Accounting Standard No. 08.

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| <p>(b) In accordance with Uva Provincial Council Financial Rule 510.2(b), the surplus of Rs. 91,896,715 earned during the year under review relevant to six commercial advance accounts had not been credited to the Provincial Council revenue. Furthermore, as a result of not crediting this surplus, it was observed that the maximum debit balance limits of the commercial advance accounts had been exceeded.</p> | <p>All income is accounted for only on a cash basis and disclosed only under the statement of annual profit and loss in commercial advance accounts, while income is recorded under revenue at the time of remittance</p> | <p>Action should be taken in accordance with Provincial Council Financial Rule 510.2(b).</p> |
| <p>(c) Even though the annual depreciation of fixed assets should be charged to the Depreciation Reserve Fund Account in accordance with Uva Provincial Council Financial Rule 509.1, the depreciation of fixed assets amounting to Rs. 11,318,361, allocated for the year under review, had not been charged to the Provincial Council Depreciation Reserve Fund in respect of six commercial advance accounts.</p> <p>Similarly, in respect of four commercial advance accounts, a sum of Rs. 17,276,404, which should have been charged to the Depreciation Reserve Fund for the previous year, had also not been charged as at 31 December of the year under review.</p> | <p>Action is being taken to obtain this depreciation reserve value relating to the year 2024 in 2025, after the preparation of the accounts for the year. It was further stated that in previous years as well, the depreciation reserve pertaining to the relevant year had been transferred in the following year.</p> <p>Moreover, the depreciation value of the office of the Provincial Mechanical Engineer had not been credited to the Depreciation Reserve Fund, and action will be taken to credit the depreciation value to the Depreciation Reserve Fund immediately upon receiving sufficient funds.</p> | <p>Action should be taken in accordance with Provincial Council Financial Rule 509.1.</p> |

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| <p>(d) Current assets amounting to Rs. 448,039,390, current liabilities amounting to Rs. 9,576,610, and fixed deposit balances amounting to Rs. 10,000,000 relating to six commercial advance accounts of the Uva Provincial Council had not been disclosed in the Statement of Financial Position of the Consolidated Financial Statements of the Uva Provincial Council as at 31 December of the year under review.</p> | <p>Since there are separate accounts maintained for the respective commercial advance accounts, those details are not disclosed in the consolidated accounts.</p> |
| <p>(e) A difference of Rs. 29,206,905 was observed between the payable/accrued expenses reported in the consolidated financial statements submitted for the year under review and the recorded liabilities shown in the Statement of Liabilities in the Appropriation Account of six institutions of the Uva Provincial Council.</p> | <p>The balances reported in the consolidated financial statements of three institutions are accurate, whereas recording errors exist in the other institutions and will be corrected in due course.</p> |

All asset and liability balances should be accounted for.

Action should be taken to reconcile the account balances and ensure that the correct values are included in the financial statements.

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

1.3 Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Public Sector Accounting Standards and for determining the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The responsibility related to the financial reporting process of the Provincial Council is carried out by the management of the respective institutions including the Provincial Treasury.

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

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

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Provincial Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management in respect of significant audit findings, including any significant deficiencies in the internal control and the other matters that I identified during my audit.

1.5 Opinion on Financial Statements

1.5.1 Head 702 – Public Service Commission – Uva Province

Non-compliance with Laws, Rules, Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Uva Provincial Council Financial Rule 371.2.2	Ad-hoc imprest ranging from Rs. 300,000 to Rs. 1,600,000 had been granted on 04 occasions Without the prior approval of the Chief Secretary, exceeding the maximum amount that could be granted at one time.	Necessary instructions will be adhered to in the future when obtaining advance funds	Actions should be taken in accordance with Uva Provincial Council Financial Rule 371.2.2.

1.5.2 Head 704 - Uva Provincial Chief Minister and Ministry of Finance and Planning, Law and Order, Education, Local Government, Power and Energy, Construction and Rural Infrastructure and Lands

(a) Project implementation

Delayed projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Under the Province-Specific Development Grant, the Department of Rural Development had allocated a sum of Rs. 1,250,000 for the development of the road from near Sri Shanmugananda School to the estate workers' housing area in the lower division of the Dikwellawatta in Hali Ela Divisional Secretariat Division. However, as of 31 December 2024, the project had not been implemented.	Comments had not been given	The allocations should be utilized within the stipulated time period.

(b) Not getting expected benefits (Out-come)

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Under the Secondary Education Sector Improvement Program (SESIP), implemented with the assistance of the Asian Development Bank to enhance the quality of secondary education, a sum of Rs. 500,000 had been granted to schools in year 2021 through school-based grants for the purchase of fixed assets required to establish innovation laboratories aimed at developing innovative skills. However, seven (07) schools, which received grants totaling Rs. 1,365,372, had not utilized the funds for the purchase of fixed assets in accordance with Circular No. 20/2021 issued by the Secretary to the Ministry of Education on 23 December 2021. Consequently, the funds had remained idle in the School Development Society accounts.	Progress is being obtained in utilizing the funds.	The allocations should be utilized in order to achieve the expected outcomes.

1.5.3 Head 706 - Ministry of Agriculture, Irrigation, Animal Production, Freshwater Fisheries

Management Inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though the Seed Potato Special Advance Account showed a debit balance of Rs. 7,941,153 as at 31 December of the year under review, and it had been recorded as an asset in the Provincial Council financial statements for more than 10 years, it was observed, based on recoveries made during previous years and the year under review, that the loan installments had not been recovered according to the due schedule.	Loan balance is recovering gradually and it is expected to take action in the future to write off in a proper manner.	Action should be taken to recover the loan within the stipulated period.

1.5.4 Head 708 - Ministry of Road Development, Housing, Water Supply, Estate Infrastructure and Cooperative Affairs

Not getting expected benefits (Out-come)

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though the Wellassa Rice Processing Center had been established in 2011 by the Uva Provincial Ministry of Road Development, Housing, Water Supply, Estate Infrastructure and Cooperative Affairs, together with the Department of Cooperative Development of the Uva Province, at a cost of Rs. 8,148,264 on a land belonging to the Monaragala Kandurata Multipurpose Cooperative Society, it had remained closed and inactive since 2018. Furthermore, in 2015, the Department of Cooperative Development had granted a loan amounting to Rs. 5,065,000 to the Chairman of the C/S Monaragala Multipurpose Cooperative Society for the implementation of this project and it had been entered to an agreement to recover in 60 installments (over a period of five years) after a one-year grace period. However, although the loan period had already expired, not even a single installment had been recovered up to now.	Even though the C/S Monaragala Kandurata Multipurpose Cooperative Society had entered into an agreement to pay the then-assessed value of Rs. 5,065,000 for the Rice Processing Center in 60 installments after a one-year grace period, no installment payments had been made due to the unprofitable situation that prevailed at the time. It is stated that the relevant documents have been referred to the Department of Valuation, and further action will be taken after obtaining the assessed value.	Assets should not be kept idle.

1.5.5 Head 709 - the Deputy Chief Secretary's (Personnel and Training) Office.

Staff Administration

(a) Provincial Council Ministries/Departments and Offices (Except School and Health Staff)

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
185 other (casual/temporary/contract-based) staff were employed in excess, while there were 715 vacancies at the senior, tertiary,	Comments had not been given	The staff should be maintained in a balanced manner.

secondary, and primary levels as at the end of the year under review.

(b) School staff

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
As at the year under review, 1,498 assistant teachers and six other (casual/temporary/contract-based) staff were employed in excess. Meanwhile, there were 219 vacancies in principal positions and 2,766 vacancies in teaching positions.	As at 31 December 2024, 1,153 principals were approved, of whom 1,009 were in service, leaving 144 vacancies. Similarly, 19,226 teachers were approved, of whom 16,521 were in service, leaving 2,705 vacancies. Under the support staff category (PL grade), a total of 2,478 school officers including School Assistants, Library Assistants, Laboratory Assistants, School Caretakers, and Security Guards have been approved, while 2,481 are currently in service for these positions. Accordingly, there is an excess of three officers in these positions. Specifically, 784 School Assistant positions have been approved, but only 381 are currently in service, leaving 403 vacancies. In all other positions, there is an excess of staff. 109 officers have been approved for the Laboratory Assistant positions which belongs to MN category, while only 37 are currently in service, leaving 72 vacancies. In addition, Development Officers have been appointed to schools, but they have not been approved	The staff should be maintained in a balanced manner.

through the staff report.

Overall, there is an excess in primary-level positions, mainly because some positions have been privately assigned to certain officers.

(c)	Health Staff Audit Observation	Comments of the Chief Accounting Officer	Recommendation
	There was an excess of other (casual/temporary/contract-based) staff in the health workforce, while 561 vacancies existed at the senior, tertiary, secondary, and primary levels, and no action had been taken to fill these vacancies.	As all recruitments have been temporarily suspended pursuant to the Management Services Circular 01/2020 issued by the Ministry of Finance and Economic Policies and the letter No. DMS/Policy/Recruitments dated 20 November 2019 from the Secretary to the Ministry of Finance, it has been difficult to fill the existing vacancies at the senior, tertiary, secondary, and primary levels. The Uva Province comprises areas with geographical variations and some health institutions are located in remote regions with limited or no public transportation services. However, as patient care services must be provided without interruption, requests have been made on various occasions to the Ministry of Health, Uva Provincial Ministry of Health, and the Uva Provincial Public Service Commission to recruit staff for the most essential vacant positions based on service requirements.	Attention should be focused on staff management.

1.5.6 Head 710 - Department of Health Services

Idle and underutilized assets

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	It was observed that Card Printers and Barcode Readers worth Rs. 1,104,564, purchased by the Office of the Regional Director of Health Services, Badulla, had remained idle in hospital stores for a long period and were not utilized for their intended purpose, resulting in underutilization.	The Ministry of Health has provided Barcode Readers and Card Printers to hospitals under various projects for the purpose of hospital networking. Currently, card networking is being implemented with Diyathalawa Base Hospital as the central hub. Furthermore, the necessary physical resources have been provided to initiate this networking with Welimada Base Hospital, Mahiyangana Base Hospital, and Bandarawela District Hospital as the focal points, and steps are being taken to commence the implementation.	Allocations should be utilized only for identified needs, and assets should not be left idle.
(ii)	Surgical supplies worth Rs. 18,834,988, purchased by the Office of the Regional Director of Health Services, Badulla, had remained idle in the surgical equipment store and were not utilized for their intended purpose.	Action will be taken to distribute the supplies to the health institutions in need.	It should be utilized for the intended purpose.

1.5.7 Head 711 - Department of Education

(a)	Management Inefficiencies Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	During the audit, it was observed that the last valuation of 305 quarters belonging to eight education zones under the Uva Provincial Department of Education had been conducted between 19 March 1988 and 05 July 2019,	It was informed in writing to the Chief Valuer of Badulla on 09 December 2024 to have the quarters valued.	Action should be taken in accordance with the provisions of the Establishment Code.

and, as a result, economic rent had not been charged based on updated valuation reports. Furthermore, as at the audit date of 18 October 2024, 144 quarters belonging to five education zones had not yet been valued.

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| (ii) | It was observed that the amount of Rs. 575,370 paid as salaries for the period from January to November 2024 to a laboratory attendant appointed for Mo/Muthukandiya 2 Piyawara Junior School, which does not have a laboratory in the Monaragala Education Zone, was an unproductive expenditure. | It was observed that appointments had been made without a proper basis, and duties were assigned disregarding the designated positions. | Action should be taken to prevent the underutilization of human resources. |
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(b) Operational inefficiencies

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	In addition to employing two teachers for teaching activities at Mo/Weherabedithenna Primary School, where only two students were studying, four development officers had also been appointed, and a total of Rs. 3,233,850 had been paid as salaries from January to October 2024.	It was informed by the Secretary of Education that a report should be prepared regarding the future course of action for this school and forwarded to the Uva Provincial Ministry of Education.	The need should be identified, and human resources should be managed accordingly.
(ii)	Out of the school-based grants of Rs. 300,000 per school, allocated on 05 January 2022 for the purchase of consumable and non-consumable educational materials under the Secondary Education Sector Improvement Program (SESIP), funded by the Asian Development Bank to enhance the quality of secondary education, an inspection on a sample basis of the total grants amounting to Rs. 1,089,773 revealed that eight schools had not made the relevant purchases and had left the funds idle in the school development accounts for several years.	The principals were informed to utilize the funds.	The allocations should be utilized to achieve the intended objectives.
(iii)	Even though the total school-based grants amounting to Rs. 6,290,000, provided for the development of targeted subjects, were required to be fully utilized by 31 October 2024 as per Circular No.	It was informed to the principals of the schools where the funds remained unutilized to utilize the said funds and report the progress by 31 May 2025.	Action should be taken in accordance with the circular instructions.

ED/01/103/02/06(IV) dated 01 July 2024 issued by the Additional Secretary (Education Quality Development – D.C) of the Ministry of Education, a total sum of Rs. 2,704,334 remained unutilized in 22 schools as at 01 November 2024.

(c) Staff administration

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	According to the information submitted by the Uva Provincial Department of Education, due to the failure to carry out a proper teacher deployment process within the Uva Province, there was a shortage of 2,828 teachers in 605 schools across 8 education zones as of the end of June 2024. Meanwhile, 2 education zones maintained an excess of 338 teachers in 145 schools. Salaries totaling Rs. 446,740,525 had been paid to this excess staff from January 2023 to June 2024. Even though there was a surplus of teachers in 2 zones, it was observed that a shortage of 622 teachers existed in 178 schools due to the failure to properly redistribute the teachers.	It is expected to take action to balance the teachers in accordance with the teacher transfer board policies that will be implemented in the future.	Action should be taken to carry out a proper teacher deployment process.
(ii)	According to the staff information of the Monaragala Zonal Education Office, there was an excess of 13 library staff positions and 31 laboratory staff positions, and salaries totaling Rs. 21,990,799 had been paid for 39 excess staff members from January to November 2024.	They had been recruited into the public service on an irregular basis, there was no specific transfer policy, and they were performing duties assigned by the principals.	Attention should be paid to staff management.

1.5.8 Head 712 - Department of Local Government

(a) Supervision of local government bodies

Income in arrears

(i)	As of 31 December of the year under review, rates and other revenues amounting to	Comments had not been given	Outstanding revenues must be recovered in
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	Rs. 905,889,335, which were due to the Local Government Institutions in the Uva Province for the year under review and the previous year, had not been recovered.		accordance with the laws and by-laws.
(ii)	In accordance with the provisions of 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, judicial penalties of Rs. 187,446,243 and stamp duties of Rs. 619,981,105 payable to the Local Government Institutions had not been paid.	Comments had not been given	Action must be taken in accordance with the provisions of the relevant statutes.
(b)	Amount due from surcharge certificates issued		
	As of 31 December of the year under review, a total of Rs. 4,357,522 was due to be recovered from officers and representatives of the Local Government Institutions in the Uva Province as surcharges imposed.	Comments had not been given	Surcharges must be recovered in accordance with the provisions of the relevant Acts.

1.5.9 Head 713 – Department of Cooperative Development

Operational inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A total of 1,500 cooperative societies had been registered in the Monaragala and Badulla districts, but only 510 of them, or approximately 33 percent of the registered societies, were actively functioning as of 1 January 2025. Accordingly necessary measures had not been taken by the Department of Cooperative Development to reactivate the inactive societies.	Action will be taken to liquidate the inactive societies.	Proper supervision must be maintained.

1.5.10 Head 714 – Department of Agriculture

(a) Non compliance

Non-compliance with Laws, Rules, Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Financial Regulation 396	Action had not been taken by the Deputy Director of Agriculture's Office, Badulla, regarding six cheques totaling Rs. 4,328,798, which had exceeded six months from the date of issue during the preparation of bank reconciliation statements, in accordance with the Provincial Council Financial Regulations.	Necessary actions will be taken in the future.	Action must be taken in accordance with Financial Regulation 396.

**(b) Management inefficiencies
Audit Observation**

Comments of the Chief Accounting Officer	Recommendation
Even though the Department of Agriculture had been instructed, as per paragraph (2) of letter No. 7/3/1/Annual Plan/2024 dated 31 January 2024 from the Secretary of the Uva Provincial Ministry of Agriculture, to maintain a data system containing details of programs implemented to date, programs proposed for 2024, and the beneficiaries, the Deputy Director of Agriculture's Office, Badulla, had not implemented such a system as of the audit date, 11 October 2024.	Agriculture Advisory Divisions do not have computer facilities, human resources, or internet access to maintain a computerized system.
	Actions must be carried out in accordance with management instructions.

(c)	Operational inefficiencies Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	Due to the non-purchase of equipment and seeds planned to be procured in year 2022 and 2023 using the Provincial Specific Development Grant and the 50 percent farmer contribution by the Monaragala and Badulla Deputy Director of Agriculture offices, the benefits could not be delivered to the farmers. Furthermore, Rs. 1,036,440 of the 50 percent contribution collected from the farmers had not been released to them and remained idle in the general deposit account.	No response had been provided regarding Monaragala, whereas the balance at the Badulla office as of 31 December 2024 stood at Rs. 612,276.	Action must be taken to achieve the objectives within the relevant period.
(ii)	Even though the Uva Provincial Department of Agriculture had spent Rs. 14,369,186 from allocations received under World Bank assistance to construct a 20-metric-ton capacity onion seed store and a 50-metric-ton capacity supplementary food crop seed store on the Borlanda Government Animal Farm land as of 23 August 2023, these stores remained idle as of the audit date, 29 April 2025.	Big onion or supplementary food crop cultivation is not carried out in the Borlanda area, and steps will be taken in the future to assign these stores to the animal farm for other purposes.	Assets must be utilized to achieve the intended objectives..
(d)	Project implementation		
	Delayed projects		
	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
	The sum of Rs. 50,000 received on 12 December 2023, for the Food Security Programme and the sum of Rs. 1,190,338 received on 16 January 2023, for the construction of the toilet at the Diyathalawa Hela Bojunhala had been idly retained in the general deposit account of the Deputy Director of Agriculture's Office, Badulla, without carrying out the relevant activities.	Instructions had been sought from the Provincial Director of Agriculture to credit the amount to revenue, as the funds have remained in the general deposit account for over 02 years.	The allocations must be utilized for the intended purposes.

(e)	Staff administration Audit Observation	Comments of the Chief Accounting Officer	Recommendation
	At the Assistant Director of Agriculture offices in Welimada and Mahiyanganaya, only 9 and 6 officers respectively had been serving. To support those officers, 5 and 6 office assistants and departmental laborers had been assigned to the respective offices. Salaries amounting to Rs. 3,476,878 and Rs. 5,172,739 had been paid respectively by the Welimada and Mahiyanganaya Assistant Director of Agriculture offices for the year 2023 and for the period from January to September 2024.	No response had been submitted by the Welimada office. The Mahiyanganaya office has informed that the transfers of two office assistants have not been implemented, and that one officer has been transferred.	Staff administration should be carried out in an orderly manner.

1.5.11 Head 715 - Department of Animal Production and Health

Operational inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Even though Rs. 98,685,899 had been spent on construction and Rs. 12,807,376 on the purchase of machinery and equipment by 30 April 2025, under the projects implemented at the Boralanda Animal Farms utilizing the Provincial Specific Development Grant (PSDG) in line with the mission of the Uva Provincial Department of Animal Production and Health, the buildings and equipment remained idle as of the audit date, 29 April 2025, due to the failure to obtain a three-phase electricity connection to the project premises.	It will be promptly directed towards the intended objectives.	The assets must be utilized for achieving the intended objectives.

1.5.12 Head 718 - Department of Industrial Development

(a) Non-compliances

Non-compliance with Laws, Rules, Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Uva Provincial Council Financial Regulations, Financial Regulation 383	Action had not been taken to identify and settle the Direct remittances amounting to Rs. 2,007,237, related to two accounts of the Department of Industrial Development for the period from November 2020 to November 2024.	Under the supervision of the department's accountant, a procedure has been established to reconcile unidentified and unrealized receipts recorded in the bank statements.	Action should be taken in accordance with the Uva Provincial Council Financial Regulations 383.

(b) Operational inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
During a physical stock inspection conducted on a sample basis at the Halpe Centre, which housed the largest sales outlet and warehouse of the Uva Provincial Department of Industrial Development, the value of stock that had remained unsold for 1 to 3 years amounted to Rs. 5,350,479.	A pricing committee has been appointed, and a procedure has been established to determine prices and carry out sales.	Sales activities must be conducted in an orderly manner.

1.5.13 Head 726 - Office of the Deputy Chief Secretary (Engineering Services).

Project implementation

Delayed projects

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i) The late charges amounted to Rs. 348,850 had not been recovered by the Deputy Chief Secretary (Engineering Services) office payable from 25 February 2025 to 04 March 2025, due to construction delays of the 1,600 square feet building at Badulla Spring Valley Tamil School.	The final bill for this project has now been submitted to the Department of Buildings and is under examination. Although the contract period was extended until 01 January 2025, a recommendation has now been submitted to further extend the period until 23 January 2025. Accordingly, action will be taken to recover the applicable penalty charges from the bills when making the payments.	Action should be taken in accordance with the agreements.
(ii) An agreement worth Rs. 47,093,234 was signed in 2017 with a private construction company for the construction of the three-story student hostel at Bandarawela Kudakusum Balika Vidyalaya and even though the work was scheduled to be completed by 04 August 2018 as per the agreement, the construction work had not been completed as of 06 December 2024. Due to the slow progress of the construction work, in 2023, an estimate of the remaining work was prepared by the Bandarawela Divisional Engineer, and proposals had been developed and implemented to complete the construction under that estimate. However, the contractor was granted extensions on nine occasions, and although the total extended period amounted to 1,908 days, a delay in construction beyond that period resulted in delay charges of Rs. 4,709,323 as per the agreement. Nevertheless, expenditure had been incurred exceeding the newly prepared	Comments had not been given.	Actions must be taken in accordance with the agreement.

work estimate and the total confirmed construction cost amounted to Rs. 53,530,572.

1.5.14 Head 727 – Uva Provincial Revenue Department

Revenue Management

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	Action had not been taken to recover mineral tax amounts totaling Rs. 1,165,006 from three license holders as of 31 December 2024.	That reminders have been sent to settle the outstanding amounts.	All outstanding revenues must be recovered.
(ii)	According to Chapter X of the Uva Provincial Financial Statute No.08 of 1990, all stamp duties collected by the Uva Provincial Council should have been accounted as revenue of the Local Authorities Fund in terms of Section 185(2)(b) of the Municipal Councils Ordinance (Cap.252) and Section 129(2)(b) of the Provincial Councils Act No. 15 of 1987. However, as at 31 December 2024, the Uva Provincial Department of Revenue had not taken action to release stamp duty and additional stamp duty totaling Rs. 220,295,157 to 28 Local Authorities. Furthermore, in accordance with the provisions of the Municipal Councils Ordinance, Urban Councils Ordinance, and Pradeshiya Sabha Acts, land transfer stamp fees constitute revenue of the local authorities, as also confirmed under Section 4:3 of the 9th Schedule of the 13th Amendment to the Constitution. Consequently, in terms of the Stamp Duty Remission Ordinance No. 05 of 1993, as the stamp fees collected should be remitted to the local authorities, confirming that such revenue does not belong to the Provincial Council, it was observed that stamp duty revenue on property transfers amounting to Rs. 744,471,092 was shown in the	Stamp duties that have not been claimed will not be refunded, and there are no legal provisions for the release of excess stamp duties as per the provisions of the Remission Act.	The revenue of the local authorities must be released in an orderly manner.

Provincial Council's revenue account during the year under review related to the local authorities. Consequently, the actual revenue of the Provincial Council was not correctly represented in the accounts.

1.5.15 Head 731 - Road Development Department

Operational inefficiencies

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
A stock excess of Rs. 581,374 and a shortage of Rs. 88,715 pertaining to four stock items were observed during the verification of recorded and physical inventories as at 31 December 2024, in respect of five Regional Engineer (Roads) Offices under the Uva Provincial Road Development Department.	Instructions have been given to the Regional Engineer to record the excess stocks and utilize them as available stock without making any payment, and to notify the relevant suppliers to remove the unrecorded stocks from the office premises and pre-mix yards. It was further informed that some of the shortage items had been used, and action will be taken to recover the identified shortages from the responsible technical officer.	A proper stock control system should be maintained.

1.5.16 Head 736 - Office the Deputy Chief Secretary (Financial Management) (a) Non compliance

Non compliance with the Laws, Rules and Regulations

Reference to Laws, Rules and Regulations	Non-compliance	Comments of the Chief Accounting Officer	Recommendation
Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
Financial Regulations 571	Deposits totaling Rs. 15,666,472 relating to	Action will be taken to settle.	Action should be taken in accordance

15 institutions that had remained inactive for over two years had not been settled in accordance with Financial Regulation 571 As at 31 December of the year under review,

with the Financial Regulation 571.

(b) Revenue Management

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Adequate action had not been taken to recover the outstanding revenue balance amounting to Rs. 319,866,322 as at 31 December 2024. Out of the outstanding revenue, a sum of Rs. 199,250,189 was due from 348 lessees for long-term leases granted by the Commissioner General of Lands on a commercial lease basis, a sum of Rs. 22,510,149 was due from 219 lessees for medium-term land leases, and Rs. 3,026,371 was due from 91 lessees for annual land leases and accordingly, the total outstanding land lease revenue amounted to Rs. 224,786,709 as at 31 December 2024. Some of these arrears had remained uncollected for more than 30 years, and the failure to take appropriate measures to recover these dues indicates a weak level of performance in land revenue collection within the respective District Secretariats including Department of the Commissioner of Lands, Uva Province	Action will be taken in the future to recover the outstanding amounts.	Action should be taken to recover the outstanding revenue.

- (c) **The following observations were made regarding the implementation of the solar power system project carried out under an agreement between the Uva Provincial Council and a private company.**

	Audit Observation	Comments of the Chief Accounting Officer	Recommendation
(i)	According to the letter No. 2/PVC/ACP/06/Solar dated 24 November 2024 issued by the Deputy Chief Secretary (Finance), the Uva Provincial Council had identified the project for utilizing the rooftops of buildings owned by the Uva Provincial Council for solar power generation as a Public-Private Partnership (PPP) project, and as a Turnkey project under paragraph 01 of the bidding documents. However, according to paragraph 03.10 of the Government Procurement Guidelines, Cabinet approval is required for such procurements, but such approval had not been obtained.	As this project is implemented through private sector investment on the roofs of government buildings, in collaboration with the Uva Provincial Council and the Ceylon Electricity Board under an agreement with the private sector, it has been identified in the project proposal as a Public-Private Partnership (PPP) project. Furthermore, since the design and construction of the solar panel system are to be carried out entirely by the private sector without the intervention of the Uva Provincial Council, it has been recognized as a Turnkey Project. In addition, as the project involves leasing the roofs of buildings owned by the Provincial Fund, there was no necessity to obtain such approval from the central government.	Since it has been stated in the bidding documents as a Turnkey Project, the relevant approval should be obtained accordingly.
(ii)	Even though According to paragraph 04 of Public Finance Circular No. 02/2019 dated 26 March 2019 addressed to the Chief Secretaries of the Provincial Councils, the implementation of such a project requires the approval of a Cabinet Appointed Procurement Committee (CAPC) and a Technical Evaluation Committee (TEC), action had not been taken accordingly.	Since the assets belong to the Provincial Council Fund, the leasing of installation of solar panels was carried out in accordance with the decisions taken at meetings held with the participation of His Excellency the Governor. These activities had been referred to His Excellency the Governor through a Cabinet memorandum to obtain approval for the appointment of Procurement and Technical Evaluation Committees, and	Actions should be carried out in accordance with the provisions of the circular.

implementation had thereafter been carried out accordingly.

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| <p>(iii)</p> | <p>Even though a performance bond of Rs. 2,500,000 was requested under Clause 03 of the Conditions of Contract in the procurement documents, the value of the performance security that should have been obtained, based on the contract value of the project, amounted to Rs. 292,822,562.</p> <p>Even though the project was scheduled to be completed by 31 December 2022 as per the agreement, no action had been taken accordingly. Furthermore, although no request for an extension of time was submitted for audit purposes, the contractor extended the performance security of Rs. 2,500,000 from 22 June 2022 to 22 December 2022. The project was neither completed nor formally extended in accordance with the agreement, and the performance bond was not claimed. In addition, the agreement signed with the contractor did not include any clause regarding the performance guarantee.</p> | <p>According to the estimated cost for asset acquisition, this value is accurate. Since this is a case of asset leasing, there was no necessity to obtain the amounts based on quantities and as per the procurement guidelines, the purpose of obtaining a performance security is to safeguard against procurement irregularities in the event of the contractor's failure to perform. Accordingly, if this contractor fails to perform, the performance security amount would be sufficient to cover the cost of selecting another contractor and maintaining the project during that period. Furthermore, if a higher value for the performance security is demanded, it would affect the liquidity of the bidder since it represents an investment on their part, which in turn could lead to decrease in the bid price.</p> | <p>Actions should be carried out in accordance with the Procurement Guidelines and the terms of the agreement.</p> |
| <p>(iv)</p> | <p>Even though as per Clause 6(xvi) of the project agreement, the installation of solar panels with a capacity of 46.35 MW was to be completed within 12 months from the date of the agreement, as of 30 November 2024, only approximately 450 out of 879 contracted roofs had been fitted with solar panels, generating an electricity capacity of only 20 MW. Consequently, the revenue due to the Uva Provincial Council from this project for the years 2023 and 2024, amounting to approximately Rs. 73,258,680, had been lost.</p> | <p>Even though a period of one year had generally been allocated for the installation of the solar panels at the commencement of this project, during discussions with the Ceylon Electricity Board, it was observed that completing a project of this capacity within one year would be challenging and furthermore, as a result of difficulties in importing solar panels due to the COVID-19 pandemic in 2021, the economic conditions prevailed in 2022 and a shortage of equipment at the</p> | <p>Action should be taken in accordance with the agreement.</p> |

Ceylon Electricity Board, it was not possible to implement the project within the expected timeframe.

- (v) Even though out of the revenue received to the joint account related to the project 15.2 percent of the revenue to be received to the provincial council was amounted to Rs. 105,440,631, Only Rs. 104,868,224 had been credited to the relevant savings account during the year under review, resulting in an observed difference of Rs. 572,407.
- (vi) According to the letter No. 2/UPC/ACP/06 dated 07 October 2021 issued by the Chief Secretary of the Uva Province, the approval of the Governor had been obtained to pay monthly allowances to the project implementation unit, and accordingly, allowances amounting to Rs. 7,359,784 had been paid to 14 officers from 03 November 2021 to 29 November 2024.
- According to Treasury Circular No. 03/2018 dated 18 July 2018, which was addressed to the Chief Secretaries of Provincial Councils, it had been stated that, as per the decision made at the Cabinet meeting held on 19 June 2018, prior approval of the Department of Management Services of the General Treasury should be obtained before paying such allowances. However, the payments had been made based on the approval of the Governor without obtaining such approval. Furthermore, according to the letter requested the Governor's approval, it had been stated that these allowances would be paid by the company; nevertheless, this had not been included in the bid documents and the agreement.
- Furthermore, according to Section 1.4.4 of the 2006 Government Procurement Guidelines, no officer participating in the
- This situation has been identified, and action is being taken to recover these funds from the company.
- It was observed that, in implementing the specifically identified project within the Provincial Council, the payment of allowances did not contravene the provisions of Circular No. 03/2018. The allowances were paid based on the Governor's approval from funds provided by the institution, in accordance with a formal request made and agreed upon during the Steering Committee meeting.
- Action should be taken to recover it immediately.
- Since the allowances had been obtained despite breaching the terms of the agreement by the company and no action was taken regarding this, action should be taken in accordance with the Circular instructions.

procurement process should receive any personal benefit. However, seven officers who were members of the Technical Evaluation Committee and the Procurement Committee, directly involved in the procurement activities, had received these allowances.

Furthermore, under Section 97 of the Anti-Corruption Act No. 09 of 2023, the granting and receiving of these allowances are observed in the audit as a gratification given for entering into and promoting an agreement with the Government.

(d) Other Advance Accounts

Outstanding Loan Balances

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
Action had not been taken in accordance with the provisions of Paragraph XXIV of the Establishment Code and Section 03(a)(b)(e) of Public Finance Circular No. 05/2019 dated 27 June 2019, regarding the loan balance of Rs. 37,111,064 recoverable from officers who had been transferred out of the ministries, departments, and offices of the Uva Provincial Council, as well as from those who had deceased, retired, been interdicted, or vacated their posts. Similarly, even though an unrecognized debtor balance of Rs. 1,010,846 relating to eight institutions of the Uva Provincial Council had been shown in the financial statements, action had not been taken to settle it even by the end of the year under review.	Discussions have been held with the relevant institutions to recover the loans due from officers who had been transferred and recovery of loan balances due from retired officers had been delayed due to liquidity issues prevailing in the Department of Pensions and instructions have been given to the respective institutions to recover the loan balances due from deceased officers and those who had vacated their posts.	Action should be taken to recover all outstanding loans

(e) Loan Balances to be settled

Audit Observation	Comments of the Chief Accounting Officer	Recommendation
The outstanding loan balance of Rs. 29,874,528 for officers who were transferred and reported to nine ministries, departments, and offices of the Uva Provincial Council had not been settled. Similarly, as of 31 December 2024, there was an unrecognized creditor balance of Rs. 9,335,891 in the advance accounts of provincial public officers pertaining to five institutions, and action had been taken to settle it by the end of the year under review.	The outstanding loan balances of officers transferred from other provincial councils, the central government, and local authorities are included in this, and these balances are currently being settled gradually.	Action should be taken to settle all outstanding loans

2. Financial Review

(a) Financial Result

According to the presented financial statements, the financial result of the affairs of the Provincial Council Fund for the year ended 31 December of the year under review showed a deficit of Rs. 1,840,666,085, whereas the corresponding deficit in the previous year was Rs. 2,943,894,499. Accordingly, compared to the previous year, the deficit for the review year decreased by Rs. 1,103,228,414.

(b) Income and Expenditure Variance

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

	Income		
	2024	2023	Variance
	Actual (Rs.)	Actual (Rs.)	(Rs.)
Revenue applicable to the Provincial Council Subjects			
Tax revenue	2,342,334,896	1,880,523,416	461,811,480
Non-Tax revenue	961,318,722	737,383,636	223,935,086
Government Grants	38,995,747,682	33,203,977,046	5,791,770,636
Total	42,299,401,300	35,821,884,098	6,477,517,202
Expenditure			
	2024	2023	Variance
	Actual (Rs.)	Actual (Rs.)	(Rs.)
Recurrent Expenditure			
Personal Emoluments	30,166,448,329	26,346,038,860	3,820,409,469
Other Recurrent	12,222,454,566	11,380,202,817	842,251,749
Sub total	42,388,902,895	37,726,241,677	4,662,661,218
Development expenditure of a recurrent nature	1,751,164,490	1,039,536,919	711,627,571
Total	44,140,067,385	38,765,778,596	5,374,288,789
(Deficit)	(1,840,666,085)	(2,943,894,498)	1,103,228,413

	(Rs.)
- Development expenditure of a recurrent nature	1,751,164,490
- Capitalized expenses accounted for as fixed assets	2,302,615,710

Government Investment	4,053,780,200
	=====

The total revenue for the year under review amounted to Rs. 42,299,401,300, of which Rs. 38,995,747,682, or 92.19 percent, comprised government grants. Tax revenue amounted to Rs. 2,342,334,896, representing 5.53 percent of the total revenue, while non-tax revenue amounted to Rs. 961,318,722, representing 2.27 percent of the total. Out of the total revenue, Rs. 37,431,477,951, or 88.49 percent, was utilized for recurrent expenditure (excluding depreciation), and Rs. 4,053,780,200, or 9.58 percent, was utilized for government investments.

3. Operational Review

3.1 Performance

(a) Government Grants

The details of the allocations received for the Provincial Council development projects and their utilization are given below.

Source	Amount approved (Rs.)	Amount spent (Rs.)	Underutilization (Rs.)
Collective grants	35,880,020,000	35,170,275,000	709,745,000
Criteria based grants	616,000,000	462,000,000	154,000,000
Provincial Specific Development Grants.	3,169,000,000	2,376,750,000	792,250,000
World Bank aid			
- Special Sector Development Project Grants (Education)	560,000,000	560,000,000	-
- Special Sector Development Projects Grants (Health)	400,000,000	400,000,000	-
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Total	40,625,020,000	38,969,025,000	1,655,995,000
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Even though an amount of Rs. 40,625,020,000 had been approved for the Uva Provincial Council development projects, the imprest actually provided by the government was Rs. 38,969,025,000. Accordingly, the unpaid imprest for the year 2024 is Rs. 1,655,995,000.

(b) Provincial Development Plan

Under the Provincial Development Plan a total of 2,797 project proposals were approved for new and ongoing works, with an estimated value of Rs. 4,112 million for the year under review, the progress of these project proposals is shown in the table below according to the progress reports of the Provincial Council.

Project details	No. of proposals			Estimated value of total work Rs.
	New work	Ongoing work	Total work	
Completed	2626	18	2644	4,112,079,368
More than 50% completed	37	07	44	
Less than 50% completed	34	0	34	
Not initiated	73	0	73	
Under controversial/questionable circumstances	02	-	02	
Total	2772	25	2797	