

**Damana Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 05 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Damana Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1. Accounting Deficiencies

The following matters were observed.

- (a) The arrears of rent as per register of arrears of revenue amounting to Rs.393,147 had been shown as 403,902 in the financial statements resulting in an overstatement of revenue by Rs.10,755.
- (b) The sum of Rs.150,000 receivable from the Ministry of Health on behalf of Hindakalugama Road had not been shown in the financial statements.
- (c) Work creditors of Rs.2.5 million had not been shown in the financial statements.
- (d) The sum of Rs.469,000 receivable from external parties as hire charges of 02 canoes and a boat of the Sabha had not been shown in the financial statements.

1.3.2 Accounts Payable

Action had not been taken to settle 02 balances of Rs.363,800 payable which continued from 2010.

1.3.3 Lack of Documentary Evidence for Audit

Three items of accounts aggregating Rs.233,722 could not be satisfactorily vouched in audit due to non-remission of necessary information.

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
	Rs.	
(a) Section 150(4) of the Pradeshiya Sabha Act No.15 of 1987	83750	Action had not been taken to recover arrears of trade licence fees shown in the accounts since previous year.
(b) Rules 180 and 181 of the Pradeshiya Sabha 1988	-	Security deposits had not been furnished by officers dealing with collection of revenue, stores control and issue of cheques of the Sabha.
(c) Financial Regulations 104 and 105		The cab which had met with an accident on 17 November 2009 had been sent to the garage for repairs. However, the Sabha had acted in contrary to Financial Regulations 104 and 105 to hold a proper investigation regarding the accident so as to exactly determine the extent and cause and to find out those who were responsible and to recover the maximum amount recoverable.
Public Administration Circular No..30/2016 of 29 December 2016	-	Fuel tests had not been carried out with regard to 04 vehicles of the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.2,941,878 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,499,342.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	420,906	420,907	87,672	1,711,451	420,000	420,906	284,300	1,378,839
Rent	472,626	2,975,376	3,038,364	403,902	2,586,626	493,626	2,696,134	537,330
Licence Fees	1,222,184	1,345,000	1,630,654	83,750	1,570,400	509,330	1,558,340	83,750
Other Revenue	3456,983	1,222,500	258,091	1,415	3,390,832	3,869,345	195,853	1,415

2.2.2 Performance in collection of Revenue

The revenue to be collected by the Sabha as at 31 December 2017 amounted to Rs.7,574,033 of which Rs.5,014,781 had been recovered during the year. Accordingly, it was observed that the level of collection of revenue was at 66 percent.

2.2.3 Rates and Taxes

Rates and taxes recovered for the year under review had been based on the assessment made for 2007. The balance as at 31 December 2017 amounted to Rs.1,480,601 as per register of rates and taxes. Action had not been taken to recover the arrears.

2.2.4 Rent

Action had not been taken to recover the arrears of rent of Rs.403,902 as at 31 December 2017.

2.2.5 Licence Fees

Action had not been taken to recover the unpaid licence fees of Rs.83,750 as at 31 December 2017.

2.2.6 Other Revenue

The initial fees of Rs.240,000 at the rate of Rs.20,000 per telecommunication tower for 12 telecommunication towers within the authoritative area of the Sabha had not been recovered in terms of the Gazette Notification No.1597/8 of 19 April 2009.

2.2.7 Stamp Fees

The stamp fees receivable from the Registrar General as at 31 December 2017 amounted to Rs.132,150.

3 Operating Review

3.1 Performance

3.1.1 Work Abandoned

Although 2 works had been commenced during the previous year and a sum of Rs.1,480,667 had been spent thereon, the expected benefits had not been derived even by end of the year under review and the work had been abandoned.

3.2 Management Inefficiencies

The following matters were observed.

- (a) The children's park had been established in the premises of the week end fair and it was observed that the children's park becomes unusable at the end of the week end fair. This problem had not been taken into consideration while establishing the children's park by spending Rs.3.3 million. As such, such a situation had resulted.
- (b) Sports equipment valued at Rs.1.8 million had been installed in the children's park referred to at (a) above. However, a suitable caretaker had not been appointed to ensure the safety and maintenance of those equipment. As such, the existence of the park had become suspense.
- (c) Stalls had been constructed at the Hingurana week end fair for sale of fish and meat in August 2016 for which the Sabha had spent Rs.254,292. In spite of this, it was observed that fish and meat had been sold in other places of the week end fair. The Sabha had not taken proper action in this regard.
- (d) The Sabha had not taken revenue licences for 07 vehicles during the respective years and as such penalties amounting to Rs.4,190 and Rs.5,000 had been paid in 2016 and 2017 respectively.
- (e) Two canoes of the Sabha had been given on a monthly rent of Rs.1,500 to 2 persons on 13 November 2009. The following observations are made in this connection.
 - (i) The Sabha had not taken action to recover the sum of Rs.291,000 due to the Sabha as at end of the year under review.
 - (ii) Action could not be taken for recovery of rent as 2 witnesses and the Chairman of the Sabha had not signed the agreement prepared for hire of these 02 canoes.
 - (iii) According to the rent agreement, the canoe should be vested with the Sabha provided the payment of rent is defaulted. However, such action had not been taken.

3.3 Human Resources Management

The following matters were observed.

- (a) Ten vacancies in 08 posts of the cadre remained vacant as at 31 December 2017.

- (b) Two employees had been employed in the physical training centre of Hingurana belonging to the Sabha. One of them had been released from the Ampara Urban Council for a day and the other employee had been recruited contrary to the scheme of recruitment and salaries paid accordingly.

3.4 Operating Inefficiencies

Eight out of 13 stalls at Hingurana had been sub let for 17 years contrary to the lease agreement.

3.5 Assets Management

3.5.1 Unattended Maintenance and Repairs

The following matters were observed.

- (a) Five vehicles of the Sabha which needed repairs remained parked at the premises of the old Sabha building for many years without being repaired. The Sabha had had not paid attention for repair or disposal of those vehicles.
- (b) Two playgrounds namely Damana and Madawalakanda maintained by the Sabha had been covered with shrubs and name boards had not been affixed in those playgrounds.

3.5.2 Non-receipt of Revenue due from Assets

The following matters were observed.

- (a) Six out of 13 stalls at Hingurana and 03 out of 12 stalls at Muwangala remained closed for 01 to 15 years. Action had not been taken to recover arrears of rent of Rs.220,239 or to acquire them.
- (b) A boat belonging to the Sabha had been given on a monthly rent of Rs.2,000 to a person on 28 July 2018.

The following matters were observed.

- (i) Action had not been taken to recover the rent of Rs.178,000 due to the Sabha as at end of the year under review.
- (ii) The agreement prepared for hire of this boat had not been signed by 02 witnesses and the Chairman of the Sabha. As such, action could not be taken against breach of conditions.

3.5.3 Assets not Acquired

The following matters were observed.

- (a) Action had not been taken to acquire ownership of 12 vehicles granted to the Sabha by various institutions.
- (b) Land used for various purposes had not been acquired by the Sabha even by end of the year under review.

3.6 Procurement

3.6.1 Procurement Plan

The Sabha had not prepared an annual procurement plan for 2017 in terms of the National Budget circular No.128 issued on 24 March 2006.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 03 to 81 per cent existed between the budgeted and actual expenditure of the year under review showing that the budget had not been used as an effective instrument of management control.

5. Systems and Controls

Special attention is needed in respect of the following areas of control.

System	Deficiency
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(a) Revenue Administration	(i) Non recovery of arrears of revenue
	(ii) Non enactment of bye-laws.
	(iii) Lack of identification of revenue sources.
(b) Budgetary Control	Lack of proper preparation of budget.
(c) Stores Administration	Lack of proper storage of goods.
(d) Assets Control	Non acquirement of ownership of fixed assets.
(e) Accounting	Assets not being brought to account