

**Maha Oya 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 23 May 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 19 October 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 Maha Oya 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 Policies

The basis of accounting and the accounting policies adopted in the preparation of financial statements had not been disclosed in the financial statements.

1.3.2. Accounting Deficiencies

The following matters were observed.

- (a) The value of motor vehicles and carts of the Sabha amounting to Rs.65,288,562 had been shown as Rs.67,471,002 in the financial statements resulting in an overstatement of non current assets by Rs.2,182,440.
- (b) The expenditure on repairs to vehicles amounting to Rs.89,900 had been capitalized. As a result the fixed assets and the Revenue Contributions to Capital Outlay Account had been overstated by similar amounts.
- (c) The assets of hot water bubble stalls constructed in 2017 by spending Rs.15 million from the funds of the Sabha and the UNDP aid had not been capitalized.
- (d) The stamp revenue of Rs.360,321 to be remitted to the Department of Inland Revenue for the period 2013 to 2017 had been shown as Rs.311,021 resulting in an understatement of current liabilities by Rs.49,300.

- (e) The interest on 02 fixed deposits for the year under review had been understated by Rs.24,998.
- (f) Stamp fees of Rs.74,000 receivable as at 31 December of the year under review had been shown as Rs.203,795 in the financial statements resulting in an overstatement of current assets by Rs.129,795.

1.3.3 Accounts Payable

Stamp fees of Rs.360,321 payable to the Department of Inland Revenue Department from 2013 to 2017 had not been settled even by 10 August 2018.

1.3.4 Non - Compliance

1.3.4.1 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	Non-compliance
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(a) Pradeshiya Saba Rules 59 - 66	Action had not been taken to identify institutions from which industrial tax could be recovered by carrying out a survey at commencement of each year so as to recover dues accordingly.
(b) Pradeshiya Sabha 1647 (d)	The officers in charge of vehicles had not maintained registers showing the types of each vehicle, designs, registered numbers, date of receipt, date of allocation and details connected with it.
(c) Public Administration Circular No.06/2006 of 30 May 2006	A finger print machine had not been used to mark the times of arrivals and departures.

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.4,767,509 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,777,757.

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 Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000
Rates and Taxes	-	383	383	-	50	61	61	-
Rent	6,612	6,013	5,902	453	5,929	5,930	6,164	352
Licence Fees	286	302	302	-	505	408	408	-
Other Revenue	4,778	6,391	6,019	323	4,068	6,464	6,350	368

2.2.2 Performance in collection of Revenue

The revenue to be collected by the Sabha as at 31 December 2017 amounted to Rs.13,809,957 of which Rs.12,605,957 had been recovered during the year. Accordingly, a sum of Rs.1,204,000 remained as arrears during the year under review.

2.2.3 Rates and Taxes

The Sabha consists of primary facilities in its area. However, the Sabha had not recovered rates and taxes so far. A request had not been made from the Department of Valuation for obtaining an assessment for rates and taxes.

2.2.4 Revenue from Rent

The Sabha had not taken action to recover the arrears of rent of Rs.453,483 as at 31 December 2017.

2.2.5 Other Revenue

There were 07 telecommunication towers within the authoritative area of the Sabha. At least Rs.140,000 at the rate of Rs.20,000 per telecommunication tower had not been recovered in terms of the Gazette Notification No.1597/8 of 19 April 2009.

2.2.6 Court Fines and Stamp Fees

The court fines and the stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs119,333 and Rs.67,000 respectively.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Work Abandoned

The following matters were observed.

- (i) A sum of Rs.653,779 had been provided during the year under review to construct a rest room under the maintenance of environment around the Maha

Oya hot water bubble and the rest room had been constructed by spending Rs.535,936. But, the work had not been completed even by 08 August 2018 and it had been abandoned.

- (ii) The Provincial Council and the Ministry of Local Government had made provision to the Maha Oya Prdeshiya Sabha in 2017. of which a few amount had only been utilized for construction. The Sabha had been deprived of the balance provision due to it as the construction could not be completed. Details appear below.

Project	Amount Approved	Value of work completed	Balance Provision
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	Rs.	Rs.	Rs.
Maintenance around the Kekirihena Fair	9,937,593	3,083,874	6,853,719
Maintenance around Hot water bubble	10,657,543	3,653,229	7,004,314

(b) Sustainable Development Target

The Sabha was not aware of achieving the sustainable development target.

3.2 Human Resources Management

The following matters were observed.

- (a) Vacancies for 07 officers in 05 posts in the cadre and an excess in a post existed as at 31 December 2017.
- (b) Action had not been taken even up to end of the year under review to recover the loan balances of Rs.25,359 due from 06 officers of the Sabha who had gone on transfer in 2008.

3.3 Assets Management

3.3.1 Safety of Assets not Ensured

Physical verifications carried out regarding 09 stalls of the Sabha revealed that those 09 stalls had been sub let for over 10 years.

3.3.2 Revenue due from Assets not being obtained

The Sabha had spent Rs.1,727,209 in 2017 to construct a building in the vicinity of the Maha Oya Hot Water Bubble. Action had not been taken even by September 2018 to give this on lease depriving the revenue due to the Sabha.

3.3.3 Assets not Acquired

The Sabha had not acquired the ownership of 36 land which it uses for various purposes.

3.3.4 Idle and Under Utilized Assets

A shopping complex with 24 stalls and a week end fair had been constructed at Kekirihena under the Puraneguma Project in 2015 and 2017 by spending Rs.40 million. 24 stalls of the shopping complex had been given on lease in 2015 and 2017 by entering into agreements. It was observed at a physical verification carried out on 08 August 2018 that the stall holders had not engaged themselves in business activities since the date of obtaining them on lease and the week end fair had not been used for the said purpose.

3.3.5 Vehicle Utilization

The Sabha had not identified the values and ownership of 10 out of 21 vehicles used by it and it was observed that the revenue licences and insurance certificates had not been obtained for them.

3.4 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. The Sabha had entered into 25 procurement activities valued at Rs.15,451,739 during the year.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

The financial statements for the year under review had been presented on 23 May 2018.

4.2 Budgetary Control

Variances ranging from 12 to 75 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) Lack of recovery of arrears of revenue. (ii) Bye-laws not being enacted. (iii) Non identification of revenue sources.
(b) Budgetary Control	Lack of proper preparation of budget.
(c) Stores Administration	Goods had not been stored in such a manner so as to carry out instant verifications.
(d) Assets Control	Lack of proper maintenance of fixed assets.
(e) Accounting	(i) Assets not being brought to account. (ii) Non presentation of a completed set of financial statements.
(f) Contract Administration	(i) Lack of adequate supervision. (ii) Lack of correct maintenance of files for constructions. (iii) Weaknesses in completion of work as required by circulars.