

**Uhana 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 03 May 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 Uhana 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 expenditure of Rs.1,838,188 incurred on the construction of Uhana New Fair Centre had not been brought to account as expenditure on fixed assets.
- (b) The Gonagalla Week End Fair latrine system constructed in 2016 by spending Rs.129,567 had not been brought to account under fixed assets.
- (c) According to the register of stall rent, the annual assessed revenue of the Uhana and the Weranketagoda stalls belonging to the Sabha amounted to Rs.1,004,578. However, this had been shown as Rs.989,978 in the financial statements resulting in an understatement of revenue of the year under review by Rs.14,600.
- (d) Although the arrears of stall rent as at end of the year under review as per register of stall rent amounted to Rs.313,381, it had been shown as Rs.298,781 in the financial statements resulting in an overstatement of revenue of the year by Rs.14,600.
- (e) The interest on fixed deposit for the year under review amounting to Rs.168,735 had been shown as Rs.124,776 in the financial statements resulting in an understatement of interest revenue by Rs.43,959.

- (f) Stamp fees revenue aggregating Rs.242,012 had been shown as refundable deposits in the financial results of the year under review resulting in an overstatement of liabilities by a similar amount.
- (g) Arrears of trade licence revenue of Rs.33,750 as at 31 December of the year under review had not been shown in the financial statements.
- (h) The assessed value of Rs.1,055,000 of 04 vehicles belonging to the Sabha had not been included under fixed assets in the financial statements. The value of 08 vehicles amounting to Rs.23,450,000 as per assessment reports had been shown as Rs.33,277,143 in the fixed assets thus overstating the fixed assets by Rs.9,827,143.

1.3.2 Lack of Documentary Evidence for Audit

Six items of accounts aggregating Rs.7,654,088 could not be satisfactorily vouched in audit due to non- rendition of necessary information for audit.

1.3.3 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
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	Rs.	
(a) Section 150(4) of the Pradeshiya Sabha Act.	33,750	The Secretary had not taken legal action against defaulters of licence fees.
(b) (i) Pradeshiya Sabha Rule 217	57,576,384	A register in Form Specimen P.S 46 had not been maintained for all land and buildings of the Sabha/used by the Sabha.
(ii) Pradeshiya Sabha Rule 180	-	Security deposits had not been obtained from those who were engaged in duties dealing with collection of revenue, stores control and issue of cheques of the Sabha.

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| (iii) Pradeshiya Sabha Rules 59
– 66 | - | Action had not been taken to carry out investigations within the area at commencement of each year so as to recover industrial tax. |
| (c) Financial Regulation 1647(e) | - | A separate register of fixed assets had not been maintained for computers and computer accessories. |
| (d) Public Administration Circular No.30/2016 of 29 December 2016 | - | Consumption of fuel by vehicles of the Sabha had not been tested. |
| (e) Treasury Circular No.IAI/2002/02 of 28 November 2002. | - | A register of computer and computer accessories had not been maintained. |

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.5,024,652 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,045,620.

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
Rates and Taxes	1,069,876	1,044,785	1,043,573	3,414,214	1,069,876	1,044,785	1,058,929	3,375,198
Rent	1,057,748	989,978	936,441	298,781	1,048,148	1,029,058	929,390	245,244
Licence Fees	250,000	480,650	480,650	-	700,000	428,180	428,180	-
Other Revenue	<u>3,975,000</u>	<u>2,683,967</u>	<u>3,690,216</u>	<u>2,674,037</u>	<u>3,975,000</u>	<u>2,112,542</u>	<u>2,495,809</u>	<u>1,968,799</u>
	<u>6,352,624</u>	<u>5,199,380</u>	<u>6,150,880</u>	<u>6,387,032</u>	<u>6,793,024</u>	<u>4,614,565</u>	<u>4,912,308</u>	<u>5,589,241</u>

2.2.2 Performance in collection of Revenue

The revenue to be collected by the Sabha as at 31 December 2017 amounted to Rs.10,788,621 of which Rs.6,150,880 had been recovered during the year. Accordingly, a sum of Rs.4,637,741 or 43 per cent remained as arrears during the year under review.

2.2.3 Rates and Taxes

Rates and taxes had been recovered on the basis of assessment made for 2007. Although the arrears of rates and taxes as at 31 December 2017 amounted to Rs.3,414,214 as at 31 December 2017, adequate steps had not been taken to recover the balance of arrears.

2.2.4 Rent

Adequate action had not been taken to recover the arrears of stall rent amounting to Rs.313,380 as at 31 December 2017, as per register of stall rent.

2.2.5 Licence Fees

A sum of Rs.33,750 was recoverable from 35 stall holders of the area as trade licence fees for the year under review.

2.2.6 Court Fines and Stamp Fees

Court fines amounting to Rs.894,667 and stamp fees amounting to Rs.1,779,370 were due from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Performance

The following matters were observed.

(a) Work Abandoned

Although a sum of Rs.3,152,188 had been spent by commencing 02 work during the year under review and the previous year, those had been abandoned by 06 July 2018.

(b) Solid Waste Material Management

The Central Environment Authority and the Uhana Pradeshiya Sabha had entered into an agreement on 19 October 2015 to construct a compost sector. 20 per cent or Rs.1,789,907 of the amount approved for construction had been granted to the Sabha in October 2015. 20 per cent of the contract value amounting to Rs.1,314,000 had been given as advance to

the contractor in February 2016. The commencement of the project continued to be delayed due to non-settlement of ownership of the land. As a result, the garbage collecting tractor had to perform over 20 kilometres per day and the payments made during 2016 to May 2018 amounted to Rs.284,000.

(c) Sustainable Development Target

The Sabha had informed that it was not aware of the sustainable development objectives and targets and as such its keenness on it was not satisfactory.

3.2 Management Inefficiencies

The following matters were observed.

- (a) A sum of Rs.4,327 was recoverable from previous lessees of 02 stalls given on lease by the Sabha in January 2009 and June 2013. Although those stalls had been acquired, action had not been taken to recover the arrears concerned.
- (b) Although the rates and taxes of properties of the Sabha should be assessed once in 05 years, the last assessment of rates and taxes had been made in 2007.

3.3 Human Resources Management

The following matters were observed.

- (a) Ten vacancies in 06 posts and 02 excesses in 02 posts existed as at 31 December 2017.
- (b) Action had not been taken to recover the employees' loans of Rs.36,238 from 10 employees who had gone on transfer from the Sabha and from a retired employee.

3.4 Assets Management

3.4.1 Assets not Entered in Registers

Seven land and buildings had not been entered as fixed assets during the year under review.

3.4.2 Non Recovery of Revenue

Although a minimum charge of Rs.20,000 should be recovered from a telecommunication tower in terms of Gazette Notification No.1597/8 dated 19 April 2009, Rs.240,000 from 24 telecommunication towers installed in the authoritative area of the Sabha had not been recovered.

3.4.3 Assets not Acquired

The following matters were observed.

- (a) Fifty seven units of 08 land and buildings used for various purposes of the Sabha had not been acquired by the Sabha even by end of the year under review.
- (b) Action had not been taken to acquire ownership of 09 vehicles granted to the Sabha by various institutions.

3.4.4 Idle and Under Utilized Assets

Stall No.09 of the Veranketagoda stall complex of the Sabha valued at Rs.42,000 remained closed from the date of construction to the date of audit (06 July 2018)

3.4.5 Vehicle Utilization

Annual revenue licences and insurance certificates had only been obtained for 02 out of 25 vehicles in running condition. Action had not been taken to obtain those certificates for the remaining 23 vehicles from the date of their arrival at the Sabha up to August 2018.

3.5 Procurement

3.5.1 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. 05 procurements valued at Rs.2,164,104 had been made.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

The financial statements for the year under review to be furnished before 31 March 2018 had been furnished on 03 May 2018 after a delay of 33 days.

4.2 Budgetary Control

Variances ranging from 03 to 67 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**

Deficiencies observed during the course of audit were brought to the notice of the Secretary of the Sabha from time to time. 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
(f) Contract Administration	(i) Lack of adequate supervision. (ii) Non maintenance of files for constructions.