

**Ukuwela Predeshiya Sabha**  
**Matale District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2017, had been presented to audit on 26 March 2018 and the Auditor General's Report on the financial statement had been sent to the Chairman on 27 August 2018.

**1.2 Qualified Opinion**  
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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report the financial statements gave a true and fair view of the financial position of the Ukuwela Predeshiya Sabha 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**  
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**1.3.1 Accounting Deficiencies**  
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The following accounting deficiencies were observed in audit.

- a) Although there were no balance as at the end of the year under review as per the advance register, the credit balance of the ledger account of Rs.123, 090 had been adjusted to the accumulated fund.
- b) Out of the opening balance of machinery and equipment account amounting to Rs.26,308,914 for the year under review, a sum of Rs.20,977,591 had been written off from the ledger account through the journal entry No.35 as mentioning as correction of the balance as per the physical verification of fixed assets.
- c) The road roller valued at Rs.1, 600,000 belonged to the Sabha had been included in the machinery and equipment account and the motor vehicle and cart account as well. Hence the balance of fixed assets had been overstated by the same amount.
- d) Contract expenditure of Rs.392, 998 relating to the year under review had been shown under the recurrent expenditure.
- e) Capital aid had been understated by Rs. 1,209,679 and capital expenditure had been overstated by Rs. 5,302,318 relating to the year under review.
- f) Actions had not been taken even in the year 2017 to fulfil 2 contracts relating to Rs.700,000 received from the Ministry of Provincial Council and Local Government during the year under review for strengthen Predeshiya Sabha whilst said amount had been shown in the accounts as creditors thus the balance of creditors had been overstated by Rs.700,000.

- g) Interest of fixed deposits amounting to Rs.484, 027 relating to the year under review had not been taken in to accounts.
- h) Although the stamp fees for the period from January to June was Rs.8, 100,700, over provision had been made in the accounts as Rs.24, 302,310 when making provision for revenue of stamp fees for the period from July to December.
- i) The loan balance payable to the Local Loan Development Fund as at the end of the year under review had been understated in the accounts by Rs.145, 009.
- j) Instead of being adjusting the over provision of Rs.92,477 relating to receivable court fines as at the beginning of the year under review , a sum of Rs.367,227 had been adjusted to the accumulated fund. Hence overstatement of Rs.274, 750 had been debited to the accumulated fund.
- k) Ayurveda stock valued at Rs.107, 335 remained as at the end of the year under review had not been taken in to the financial statements.
- l) Daily payment of two employees worked in the garbage center amounting to Rs.569, 000 had been taken in to accounts under the transport related, essential and other services instead of being taken under the salary expenses.
- m) Actions had not been taken to rectify the matters shown under the paragraph 2.2.1 of the Auditor General's report for the year 2016.

### **1.3.2 Unreconciled Control Accounts**

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Differences were observed between the balances relating to 7 accounts items amounting to Rs. 99,206,134 shown in the financial statements and the relevant balances shown in the subsidiary registers and records whilst the total of differences was Rs23, 167,353.

### **1.3.3 Accounts payable and Receivable**

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#### **a) Accounts Receivable**

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The total of 6 receivable accounts as at the end of the year under review was Rs. 21,862,060 and according to the age analysis presented a balance of Rs.175,676 remained unsettled over a period more than 3 years had included in it.

#### **b) Accounts Payable**

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The total of 8 balances of payable accounts as at the end of the year under review was Rs. 11,322,334 and according to the age analysis presented balances of Rs.2,061,429 remained unsettled over a period more than 3 years had included in it.

### 1.3.4 Lack of Written Evidence for Audit

Information not being presented to Audit

Four items of accounts aggregating Rs. 53,476,859 could not be satisfactorily verified due to non-availability of necessary information.

### 1.3.5 Non - Compliances

#### Non- compliances with Laws Rules Regulations and Management Decisions

Instances of non-compliance with laws rules regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and management decisions	Amount	Non - Compliance
	Rs.	
a) Slaughterhouse Act No.9 of 1893		
(i) Section 6	-	Deed of guarantee in which two guarantors were charged with responsibility together and separately had not been prepared and submitted for the slaughterhouse conducted in the jurisdiction of the Sabha.
(ii) Section 10		Details of cattle killed in each month had not been registered in the Secretaries office of the Sabha.
b) Pradeshiya Sabha Rules of 1988 (Financial and Administration)		
(i) Rule 177	216,000	An excavator machine had been obtained on rent basis for the service of the garbage premises without following tender procedure.

(ii) Rule 178 (80)	-	A schedule for tenders had not been prepared
c) Circulars and others		
(i) Section 5 of the Circular of the Commissioner of Local Government Central No.2016/3 dated 17 March 2016	-	Income of lease rent agreed in the year 2010 had been recovered for the year under review without obtaining a new estimate for 48 stalls of the public market.
(ii) Circular of the Department of Local Government No.1 988/22 dated 17 May 1988	-	Although properties in taxable area should be assessed once in 5 years, rate tax had been recovered for the year under review on the basis of the estimation of the year 2007.

## 2. Financial Review

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### 2.1 Financial Result

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According to the financial statements presented, the revenue of the sabha for the year ended 31 December 2017 in excess of , the recurrent expenditure was Rs.37,328,696 whilst the corresponding revenue in excess of recurrent expenditure of the previous year was Rs.15,232,422. The over provision of receivable stamp fees income for the period from July to December by Rs.24,302,310 had affected for the improvement of revenue in excess of the recurrent expenditure for the year under review.

### 2.2 Revenue Administration

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#### 2.2.1 Estimated Revenue, Bill amount of Revenue, collected Revenue and Outstanding Revenue

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Details relating to the estimated revenue bill amount of revenue collected revenue and outstanding revenue presented for the year under review and the previous year are given below.

Source of Income	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rate and Taxes	812,345	868,738	514,779	548,721	810,000	876,867	112,448	786,657
ii. Rent	2,150,000	2,778,668	2,731,435	48,809	2,200,000	2,257,179	2,535,538	38,641
iii. Licences Fees	1,000,000	1,393,430	1,393,430	-	1,400,000	1,188,785	1,884,785	-
iv. Other Revenue	4,500,000	4,467,671	3,067,730	1,736,577	4,500,000	4,410,911	2,936,647	1,710,835

## 2.2.2 Rate and Taxes

### a) Rates

- (i) The outstanding balance of rate tax as at the end of the year under review was Rs.548,721 and balances of Rs.128,312 remained more than 3 years were included in it.
- (ii) Assessment of rate tax had been carried out by the sabha in the year 2014/2015 and due to the fact that deficiencies of the estimation not being rectified rate tax for the year 2017 had been charged on the estimation of the year 2007.
- (iii) Computer soft wares had inactivated currently and a method of obtaining information according to the rate tax register had been followed in obtaining the balance.

### b) Acreage Tax

The outstanding balance of acreage tax as at 31 of the year under review was Rs.31, 333 and it had remained unsettled throughout out 7 years.

## 2.2.3 Other Revenue

### a) Garbage fees

The outstanding balance of garbage fees as at the end of the year under review was Rs.13, 531 and it had remained unsettled throughout out 3 years.

### b) Water Charges

The outstanding balance of water charges as at 31of the year under review was Rs.1, 736,577

## **2.2.4 Court fines and Stamp Fees**

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The receivable amount of Court Fines and Stamp Fees from the chief secretary to the provincial council and other officers as at 31 December of the year under review was Rs.495,250 and Rs.15,336,543 respectively.

## **3. Operating Review**

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### **3.1 Performance**

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The following observations are made in respect of duties which should be fulfilled by the sabha relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare.

#### **a) By Laws**

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It had been identified that 319 three wheels had been parked in 36 stands in the jurisdiction of the sabha and a sum of Rs.46, 800 had been recovered as parking fees. However by laws had not been enacted as per the 126 (vii) (j) of the Pradeshiya sabha Act No.15 of 1987.

#### **b) Activities deviating objectives**

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In a ground of the sabha had a favorable financial situation, without being fulfil the development proposals proposed to be fulfil according to the budget , a sum of Rs.13,000,000 had been invested in 2 fixed deposits during the year under review

#### **c) Non achieving of Expected benefits**

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Although a sum of Rs.1, 993,080 had been spent to fulfil one activity during the year under review expected benefits had not been achieved.

#### **d) Delays in Achieving Targets**

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The following observations are made

- (i) Activities expected to be fulfil as per the policies of the budget during the year under review such as complete the construction of the office building, to construct a children park nearby the Thanna public library and to develop Alkaduwa as an environmental garden had not been fulfil.
- (ii) Three projects valued at Rs. 3,071,580 proposed to be fulfil under the budgeted provision and approval of the Chief Secretary had been obtained as well had not been fulfil during the year under review.

- (iii) Two projects valued at Rs. 239,167 had not been fulfilled due to the approval not being granted as preparing estimates exceeded the provision.

**e) Solid Waste Management**  
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Out of 4 to 4 ½ tons of garbage daily collected in the jurisdiction of the sabha 01 ton of garbage not decayed had been used to recycle and 01 ton of decayed garbage had used to produce compost fertilizer. Further it was observed that the rest 2 ½ tons of garbage had been removed adversely to the land nearby the waste management building. During the year under review 3115 kilograms of fertilizer had been produced and income of Rs.58, 440 had been earned.

**f) Sustainable Development Goals**  
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- (i) The sabha had not been aware of the 2030 Agenda for sustainable development goals hence long term plans for improvement of livelihood and health of people in the jurisdiction through global indicators relating to those goals had not been prepared even up to 30 May 2018.
- (ii) Although it had been expected to identify targets under the objectives for elimination of poverty as at 11 June 2018 and expected to be implemented from the year 2019, methodologies for monitoring relevant activities for achieving those targets had not been identified. Further deficiencies such as lack of adequate staff, minimum resources had affected to achieve such goals.

**3.2 Management inefficiencies**  
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The following observations are made

- a) A sum of Rs.97, 639 had been paid to the Secretary to the Sabha as holiday pays for working on holidays without signing in the register for arrival and departure.
- b) According to the section 78 (1) of the Pradeshiya Sabha Act No.15 of 1987, although the sabha should act in its own jurisdiction as the general administration authority of germination and securing of public health, competence of water of 4 water projects maintained by the sabha had not been tested and according to the competence tests water of 11 water projects out of 16 water projects were not in a suitable position to drink.
- c) Out of the balance of Rs.143, 242 relating to the employees guarantee deposit account as at the end of the year under review, guarantee deposits of employees retired and transferred amounting to Rs. 50,660 had been written off from the investments account and taken to the Cash book. However it had not been paid to relevant officers and settled.

- d) Property loan interest of Rs. 560,776 brought forward from the year 2011 had included in the revenue debtors. However actions had not been taken by the Sabha to identify the amount and make adjustments.
- e) Out of 97 lands belong to the Sabha deeds and assign orders had been obtained only for 23 lands.
- f) Actions had not been taken to examine relevant files and settle 9 balances of contract creditors valued at Rs.317, 217 relating to the years from 2013 to 2015.
- g) A sum of Rs.36, 000 received for road name boards relating to 9 contracts completed in the year 2014 had been taken in to accounts as creditors due to not being prepared relevant road name boards and actions had not been taken to settle them.
- h) Out of the Pradeshiya Sabha reports which should be prepared by the Sabha , pradeshiya sabha 7 and 19 reports had not been prepared by the Sabha.

### **3.3 Human Resource Management**

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The following observations are made

- a) Not being taken actions in a long period of time to fill 22 vacancies of 9 approved posts for the Pradeshiya Sabha had affected to limit the public services which should be fulfilled by the Sabha
- b) Educational certificates of 6 employees appointed in the year 2014 as per the Public Administration Circular 25/2014 had not got certified even up to March 2018. Hence the service could not be permanent.
- c) Out of 326 applicants, 3 applicants had been selected to be recruited for 01 post of library assistant and 2 posts of karyala karya sahayaka which were vacant in the year under review. Even though five officers had been deployed in 6 days in this regard and a sum of Rs. 19,861 had been incurred as entertainment expenses, the relevant recruitments had been cancelled without having a proper base.

### **3.4 Management Inefficiencies**

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Without entering in to a proper agreement for the year under review meat stall No. 17 of the public market belonged to the Sabha had been leased out and a copy of the license of the approved slaughterhouse of the meat supplier of the meat stall had not been furnished to the Sabha. Although the lessee of the beef stall had informed in writing that beef were supplied from slaughterhouse at Galewela, a license obtained from the Galewela Pradeshiya Sabha for the said slaughterhouse had not been furnished.



### **3.5 Assets Management**

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#### **Idle and underutilized assets**

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A cement mixing machine belonged to the Sabha valued at Rs.282,500 had been remained idle.

### **3.6 Identified Losses**

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The glass of the left hand side of the JCB machine had cracked as parking vehicles without safe and the agent of the vehicle had informed that the price of the glass was Rs. 80,000. an investigation had not been carried out in connection with this accident and the damage had not been entered in to a register.

### **3.7 Procurement**

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#### **3.7.1 Procurement Plan**

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According to the Government Procurement Guideline 4.2.1 and 4.2.2, a master procurement plan, a detailed procurement plan including civil works and goods and other services and procurement timetable had not been prepared whilst purchasing's of Rs. 4,598,481 had been made from January to November 2017.

#### **3.7.2 Supplies and Services**

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##### **a) Repairing a Cab**

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The following observations are made relating to the payment of Rs.322, 691 dated 07 March 2017 which had been made to a private institution for repairing a cab

- (i) Quotations had been called from 3 institutions mentioning only as the repair without obtaining recommendation from either examiner of motor vehicle or mechanical engineer for repairs which should be done before commencing procurement in connection with the repairs of engine of the vehicle.
- (ii) Although signatures of the procurement committee had been mentioned as the quotations had been opened on 06 January 2017 the bidder had been selected on 30 December 2016 on a date before the above mentioned date as per the Dicission No. 819.
- (iii) Although the final bill amounting to Rs. 322,619 had been submitted by the institute of which the repair had been carried out on 10 March 1017, the payment had been made on 09 March 2017 a date before the date of the bill. Nevertheless a certification of mechanical engineer had not been obtained to confirm that the repair had been done properly.

- b) Purchasing of water motors for water supply scheme of Gurulawela South Suhada Community Based organization.

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Recommendation of the Technical Evaluation Committee had not been obtained for purchasing 2 water motors incurring a sum of Rs. 1,264,175 for the above mentioned water project and in a short period of almost 3 months after fixing the water motors, one water motor had inactivated.

#### 4. **Accountability and Good Governness**

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##### **Budgetary Control**

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The following observations are made

- a) Variations between the estimated revenue and the actual revenue relating to 17 revenue items had remained in a range of 52 per cent to 57415 per cent.
- b) Provisions made to 13 expenditure items amounting to Rs. 2,185,000 had been saved.
- c) Variations between the net provision and the actual expenditure relating to 24 expenditure items had remained in a range of 42 per cent to 98 per cent.

#### 5. **Systems and Controls**

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Defficiencies observed in the course of audit were brought to the notice of the Sabha from time to time and Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
a) Accounting	(i) Accounting books records and registers not being maintained up to date. (ii) General ledger not being maintained properly. (iii) Pradeshiya Sabha records not being maintained properly.
b) Staff Administration	Vacancies of approved posts not being fill.
c) Assets Management	Assets not being accounted properly.
d) Budgetary Control	(i) Provisions not being utilized. (ii) Revenue targets not being achieved.