

Ukuwella Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 April 2017 and the financial statements for the preceding year had been presented on 26 April 2016.

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 give a true and fair view of the financial position of the Ukuwella Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended are in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The construction cost amounting to Rs.7,412,417 of two constructions namely second floor of the Sabha building and Hela Bojunhala building had not been brought into account, and Rs.4,877,780 which must be reimbursed for the said constructions had not been brought in to account as debtors. Further Rs.5,815,534 payable to the contractors had not been brought into account as creditors.
- (b) The value of Sabha own Guralawela southern cemetery land had been understated by Rs.200,000 when capitalizing, and value of 7 lands amounting to Rs. 128,000 had not been brought in to account as fixed assets.
- (c) The value of Sabha own 35 cemeteries and 67 common tube wells had not been identified and brought in to accounts.
- (d) The value of 441 stock items amounted to Rs. 460,027 and the value of Ayurveda stock amounted to Rs. 91,460 had not been stated under final stock.

- (e) The stamp fees amounted to Rs.8,663,137 and stamp fees recoverable amounted to Rs.6,941,317 had been understated and court fines and court fines recoverable had been overstated by Rs.92,477.
- (f) The amount spend on construction and development activities in year 2014 and 2015 amounted to Rs.3,295,969 had not been capitalized , and construction value of the auditorium had been overcapitalized by Rs.614,375.
- (g) Value of 15 debtors balances amounted to Rs.583,868 and value of 33 creditors balances amounted to Rs.3,512,586 had not been brought in to account. Further debtors balances relating to 6 works had been overstated by Rs.482,456.

1.3.2 Un reconciled Control Accounts

The balances relating to 5 items of accounts totaling Rs.29,699,381 as per financial statements and the value appearing in the related subsidiary registers and reports differed by Rs.9,651,715.

1.3.3 Accounts Receivable

The balances of 6 accounts receivable aggregated to Rs14,313,320. A balances of Rs.2,244,489 remaining unsettled for 1 to 3 years and a balance of Rs.380,442 remaining unsettled for over 3 years had been included therein.

1.3.4 Accounts Payable

The balances of 7 accounts payable at the end of the year under review amounted to Rs.16,857,256. Balances of Rs.605,986 remaining unsettled for 1 to 3 years and a balance of 3,911,867 remaining unsettled for over 3years had been included therein.

1.3.5 Lack of Evidence for Audit

Nine items of accounts aggregating Rs.125,658,985 could not be satisfactorily vouched in audit due to non-rendition of adequate evidence.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.,

The instances of non-compliance with laws,rules and regulation etc.,are as follows.

Reference to Laws , Rules,
Regulations etc.,

Non –compliance

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|-----------------------------------------------------------------------|--------------------------------------------------------------------|
| (a) 1988 Pradeshiya Sabha
(Finance and Administration)
Rule 218 | Land and buildings of the Sabha had not been
subject to survey. |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|

(b) Circulars and other

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- (i) Public Finance circular No.04/2015 dated 14 July 2015
- Without calling for quotations Rs.326,948 had been paid to Sri Lanka Insurance Corporation for the insurance covers of 8 vehicles.
 - Without calling for quotations Rs.31,671 had been paid to Sri Lanka Insurance Corporation for the insurance covers of 6 libraries.
- (ii) Circular No 1988/22 dated 17 May 1988 of Department of Local Government.
- Assessment of taxes and rates had not been done after year 2007.
- (iii) Section 5 of the circular No. 2016/3 dated 17 March 2016 of the Commissioner of Central Provincial Local Government.
- Although monthly trade stall rent must be assess once a 5 years, a fixed monthly rate had been charged from 65 trade stalls without conducting such assessment.
 - Whether trade stall rent of A, C and D trade complex stalls and trade stall rents of 21 trade stalls of market B part had been assessed on 22 December 2010 and on 13 may 2015 respectively. Action had not been taken to charge that rent and to enter into new agreements till 31December 2016.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the sabha for the year ended 31 December 2016 amounted to Rs.15,232,423 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.18,577,241 resulting in a reduction in financial results of the year under review by Rs.3,344,818.

2.2 Analytical Financial Review

Certain important observations and important ratios relating to the financial status and the financial performance of the Sabha appear below.

- (a) Decrease in revenue by Rs.8,546,638 in 3 items of revenue and increase in expenditure by Rs.709,798 in one objects resulted in the decline in financial results.

- (b) Out of the total recurrent expenditure of Rs.42, 479,163, Rs.29,058,485 had been spent only on salaries which represent 68 percent.
- (c) Surplus of the financial results as a percentage of the operating revenue had been decreased in the year under review.
- (d) Total expenditure as a percentage of the operating revenue had been increased in the year under review. Accordingly it had been shown an unsatisfactory financial control.

2.3 Revenue Administration

2.3.1 Rates and Taxes

The balance of arrears rates and taxes amounted to Rs.786, 657. A balance of Rs.215,392 of over 3 years had been included therein.

2.3.2 Other Income

(a) Acreage Tax

The arrears of acreage tax amounted to Rs.31,334. This balance exist over 7 years.

(b) Water Charges

The following matters are observed.

- (i) The arrears of water charges amounted to Rs1,710,835. A balance of Rs.120,185 of over 3 years had been included therein.
- (ii) An amount of Rs.214,623 remain recoverable from 74 water consumers who had been disconnected with the water supply. A recoverable balance of Rs.111,084 over 3 years had been included therein.

(c) Garbage Handling Charges

The balance of arrears garbage charges amounted to Rs.13,531. This balance exists over 3 years.

2.3.3 Court Fines and Stamp Fees

Court Fines of Rs.460,727 and stamp fees of Rs.10,125,220 remained recoverable from the Chief Secretary of Provincial Council and other officials as at December 2016 of the year under review.

3 Operating Review

3.1 Performance

The following matters are observed.

- (a) According to the budget policy statement, taking the technology subject to the village, giving an opportunity to upgrade the information technology knowledge of the school students and youth in the area by commencing a computer training center in the Owilikanda public library in 2016 was a main objective. However action had not been taken to establish the center.
- (c) By taking approval recruitment of drivers, machine operators and machine assistant for the utilization of donated vehicles and machines was a main objective in the budget policy statement. Action had not been taken to fulfill those vacancies.

3.2 Management Inefficiencies

The following matters are observed.

- (a) Sabha had not received a Transfer Order regarding 0.1827 hectares of land where the Sabha building situated .Accordingly it could not be registered as a Pradeshiya Sabha land. According to the case filed by the first owner of the land in the Colombo District Court, Sabha had been occupying extra 16 perch of land. The problem had not been solved by a survey of the land.
- (b) Locations of 13 lands that worth Rs.1,951,000 registered under the name of Pradeshya Sabha had not been identified during the period of past 2 to 15 years' time from the date of registration.
- (c) 17 vacancies exist with regard to 8 posts , and 3 excess employees exist with regard to two posts in the Sabha.

3.3 Operating Inefficiencies

The following matters are observed.

- (a) Whether 200 building applications had been approved out of the 430 applications, only 19 applications had been issued with Compliance certificates.
- (b) 17 items of office equipment that worth Rs.594, 061 had been received on 25 June 2014 for the establishment of an Information Technology Center in the Sabha for the execution of "E" Nana Piyasa Project. However action had not been taken to commence the project and most of the equipment had been used for office activities.

3.4 Idle and Under Utilized Assets

The following matters are observed.

- (a) The tractor No RD-9449 received from the Ministry of Local Authorities and Local Government on 13 May 2015 had not been used even until 9 April 2017.
- (b) The old library building and the ayurvedic medical center situated in the Alkaduwa Town had not been utilized.

3.5 Irregular Transactions

The following matters are observed.

- (a) Whether Rs.1,128,415 had been paid for the new assessment of the rates and taxes in year 2014, assessment reports had not been obtained even until 31 December 2016. Accordingly new rates and taxes had not been charged.
- (b) Even though a library assistant of a Sabha own library who was a former municipal member had not been properly report to duties and performed duties, he had been paid with salaries and allowances amounted to Rs.827,172 from 2013 to 2015 December. Even until the end of the year under review proper action had not been taken by conducting an inspection regarding the matter.

3.6 Identified Losses

The following matters are observed.

- (a) An amount of Rs.147,182 paid in 2014 with Sabha funds for the construction of Thanna by road under the “Eka Gamakata Ek Wadak” Program. This amount had not been reimbursed by the Divisional Secretariat even until the end of the year under review. Therefore it had been a loss for Sabha fund.
- (b) Due to damaging a private property when constructing the Bowatta Nugapitiya Road which published by Gazette in year 2005, a case had been filed in Matale District Court. The relevant lawyers had not recognized the case had been filed after passing the time limit .Accordingly the case had been conducted for several years and Rs. 210,866 had been paid as lawyer fees from year 2006 to 2015, which was a loss for Sabha fund.

- (c) As a result of taking action to widening the Kandagollamada road that published in Gazette in August 2012, an owner of a land had opposed to that and had filed a case on 25 September 2012 in Matale District Court. Whether Sabha had informed that it does not expect to do any developments to the road and requested to withdraw the case. The case had not been closed and Rs.123,500 had spent as lawyer fees.

3.7 Delays in Project Execution

The following matters are observed.

- (a) Rs. 304,580 worth iron bars had been purchased for the renovation of Ukuwela Public Library under Provincial Specific Development Grants 2014-Local Government Administration Services (New Works) Library Development program. However even until 9 April 2017 the project had not been executed. Further, out of the purchased iron bars Rs. 78,340 worth iron bars had been issued for another project in the Sabha without any prior approval.
- (b) Value of eleven projects amounting to Rs.5,650,000 had been approved under Provincial Specific Development Grants of year 2016.However those projects had not been executed even until 1 February 2017 due to the inconvenience of obtaining direct labor. Further 22 projects with the approved allocation of Rs.3,867,626 under Sabha General Funds had not been executed.

3.8 Contract Management

The following matters are observed.

Development of the Guralawela south Suhada community base association's water scheme

Rs.2,000,000 had been allocated for the above mentioned project under Provincial Specific Development Grants, and constructions had been performed by direct labour basis .Following observations were made regarding this.

- (a) The land where the well and pump house situated had not been acquired by the Sabha. Sufficiency of the water level and suitability of the water had not been confirmed by tests.
- (b) The work done bill amounted to Rs. 1,993,088 presented on 23 December 2016 had been reimbursed on 17 January 2017.Twelve items of works valued at Rs.1,953,033 which included in the reimbursed bill had not completed even until 2 February 2017.

3.9 Solid waste management

Out of the 4 -4 ½ metric tons of garbage daily collected within the authoritative area of the Sabha, 2 metric tons had been used to produced compost in the Dematagolla waste recycling center. Rs.73,750 income had been earned in year 2016. The rest of the waste had been dumped in to a land nearby the recycling center and cover it up with soil. A large amount of waste had been disposed endangering to the environment.

4 Accountability and Good Governance

4.1 Internal Audit

Even though an employee of the Sabha had been appointed for the internal audit, sufficient internal audit had not been done.

4.2 Budgetary Control

- (a) None of the revenue of Rs. 325,000 estimated for 2 items of revenue had been earned, and variance ranging from 39 to 149,950 percent existed between the estimated and actual revenue of 28 revenue items.
- (b) The entire estimated provision of Rs.2, 169,600 of 17 expenditure items had been saved. Variance ranging from 37 to 684 percent existed between the net provision and actual expenditure of 36 expenditure items.
- (c) Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provisions among the items of revenue and expenditure during the year under review showing that the budget had not been utilized as an effective instrument of management control.

5 Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Debtors and Creditors Control.
- (b) Staff Management.
- (c) Assets Management.
- (d) Budgetary Control.