

Uhana Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to Audit on 27 March 2017 and the financial statements for the preceding year had been presented on 23 March 2016. The Report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 06 September 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Uhana Pradeshiya Sabha as at 31 December 2016 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 accounting deficiencies are observed.

- (a) According to the Advance Register, the balance of unsettled advances as at 31 December 2016 amounting to Rs.33,049 had not been brought to account.
- (b) Without any opening balance in the receipt-in-advance account of the rates and taxes a sum of Rs.32,871 had been brought to account as revenue of rates and taxes received in advance. As such the operating profit had been overstated by similar amount.
- (c) According to the Deposits Register, the balance of the trade stalls deposits payable amounted to Rs.1,620,000. Nevertheless, it was brought to account as Rs.1,185,000 understating by Rs.435,000.
- (d) Even though, the receivable deposits of industries amounting to Rs.2,950,000 had not been received in the year, it had been brought to account under current liabilities as deposits for revenue.
- (e) As 836 books valued at Rs.292,835 received as donations for the library in the year 2015 had not been brought to account, the fixed assets had been understated by similar amount.

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

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules and Regulations etc.	Non-compliance
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(a) Pradeshiya Sabha Rules 180	The officers of the Pradeshiya Sabha responsible for the collection of revenue, stores control and issuing cheques had not furnished security.
(b) Finance Regulation 1646	The Daily Running Charts with the Monthly Performance Summaries for 24 motor vehicles of the Sabha had not been furnished to the Auditor General.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Pradeshiya Sabha had resulted in an excess of expenditure over recurrent revenue amounted to Rs.141,902 as compared with the corresponding excess of expenditure over recurrent revenue amounting to Rs.2,795,624 in the preceding year. Accordingly, an improvement of Rs.2,653,722 was shown in the financial results.

2.2 Analytical Financial Review

In analyzing recurrent revenue, for the year under review as compared with that for the preceding year, an increase in a range from 29 per cent to 43 per cent was shown with regard to the sources of revenue such as rates and taxes, lease rent revenue and licence fees and a decrease in a range from 05 per cent to 32 per cent was shown with regard to the sources of revenue such as service charges, fines and warrant charges and other revenue.

In analyzing recurrent expenditure, for the year under review as compared with that for the preceding year, an increase in a range from 08 per cent to 46 per cent was shown with regard to the expenditure items such as travelling, supplies and equipment, transport and grants and a decrease in a range from 06 per cent to 43 per cent was shown with regard to the expenditure items such as salaries and allowances, fuel, repairs and maintenance of assets and pension payments.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Item of Revenue	Estimated Revenue for the year 2016	Actual Revenue for the year 2016	Accumulated Arrears as at 31 December 2016
	Rs.	Rs.	Rs.
Rates and Taxes	1,229,876	1,419,644	3,375,198
Lease Rent	4,703,148	4,421,853	245,244
Licence Fees	955,000	808,575	-
Service Charges	325,000	277,750	-
Warrant Charges and Fines	2,160,000	1,567,363	552,666
Other Revenue	1,925,000	970,340	-

2.3.2 Rates and Taxes

The rates and taxes had been recovered for the year under review too based on the assessment made in the year 2007 which had been the last assessment made by the Sabha.

According to the Register of arrears of rates and taxes, the value of the arrears of rates and taxes as at 31 December 2016 amounted to Rs.3,375,198. No action whatsoever had been taken by the Sabha for the recovery of that money.

2.3.3 Other Revenue

Twelve telecommunication transmission towers had been installed in the authoritative area of the Sabha. Even though, the Sabha should recover initial fee of Rs.240,000 at the rate of Rs.20,000 per tower at least for the telecommunication transmission towers in terms of the Gazette Notification No.1597/8 dated 19 April 2009, those fees had not been recovered.

2.3.4 Stamp Fees

A sum of Rs.1,416,132 should be receivable as stamp fees from the Registrar General as at 31 December 2016.

3. Operating Review

3.1 Operating Inefficiencies

Action had not been taken to recover employees loans amounting to Rs.61,988 recoverable since the beginning of the year under review from 12 employees transferred out and one employee retired who had been formerly employed in the Sabha.

3.2 Contract Administration

The following matters were observed in respect of the project of concreting 17 roads at the rate of Rs.1,000,000 under the Development Project of Upgrading 15000 Villages of “Gamin Gamata Dorin Dorata” implemented during the year 2015 by the Uhana Pradeshiya Sabha.

- (a) Even though, it was informed to the Pradeshiya Sabha to furnish relevant files and other particulars to audit, only particulars relating to 12 contracts out of 17 contracts had been furnished to audit. As such an audit examination could not be carried out relating to 05 contracts valued at Rs.4,610,680.
- (b) Ten community based organizations out of 12 organizations who provided particulars had not furnished the bid prices of the quotations.
- (c) In payments made for concrete quality tests for 08 projects out of 17, the payments should be made only for the value of the bill. Nevertheless, a sum of Rs.73,500 had been paid relating to the bills valued at Rs.2,184 for 02 projects under the recommendations of the Technical Officer.
- (d) At the physical examination carried out on 2 projects of UPS/DEV/UP-VIL/2015/01 and UPS/DEV/UP-VIL/2015/16 out of the above mentioned roads, 12 inches of due height to be remained was not shown and that was remained below the due height ranging between 2 inches and 3 inches. Even though, those roads were not in a proper standard, the total value of Rs1,957,921 had been paid for 02 contracts on the recommendations of the Technical Officer.
- (e) The concrete quality tests furnished for 04 roads relating to above projects had been made using the concrete samples obtained in the dates prior to the dates of roads concreted and as such those reports were not accurate.
- (f) Even though, the concrete quality test of the Project UPS/DEV/UP-VII/2015/18 had been made on 09 November 2015, the date of commencement of the project was 14 November 2015. Further, the date of the quotations offered and the date of the agreement had been shown as 19 November 2015 and 24 November 2015 respectively. Accordingly, the Sabha had furnished forged documents to the file.

3.3 Motor Vehicle Control

The following matters were observed.

- (a) Action had not been taken up to now for vesting the ownership of 20 motor vehicles received by the Sabha from the Ministry of Finance, Ministry of Rehabilitation and Resettlement, Eastern Provincial Council and the Ministry of Local Government and Non-Government Organizations. As the vesting of ownership had not been made within the due period, a fine of Rs.730,000 per year approximately could have been paid in vesting of the ownership of those motor vehicles.
- (b) Eight motor vehicles belonging to the Sabha were not in running condition. Action had not been taken by the Sabha to repair and utilize the motor vehicles which could be repaired out of those vehicles and to dispose the vehicles which could not be utilized.
- (c) The former Deputy Chairman of the Sabha had utilized the cab vehicle of the Sabha for the trips of 13,964 kilometers using 1,711.25 litres of fuel for the period from 28 February 2014 to 11 May 2015 and he had worked as the Divineguma Development Officer in the Divisional Secretariat, Uhana during that period. As such he had utilized this cab vehicle in an illegal manner.
- (d) The cab vehicle of the Sabha had been run for 2,618 kilometers without a supervision of a responsible officer during the period from the year 2013 to 2015.
- (e) The Daily Running Charts relating to a cab vehicle for the periods from 09 May to 29 October 2014 and 15 July to 20 November 2015 had not been furnished to audit.
- (f) According to the running performed by a cab vehicle for the period from 28 September 2013 to 08 May 2014, the consumption of the fuel should be 1,198 litres and that should be equivalent to 9,585 kilometres. Nevertheless, 1,526 fuel litres valued at Rs.31,160 had been consumed and as such 328 fuel litres valued at Rs.31,160 had been utilized over as per the price at present.
- (g) Annual revenue licences had been obtained only for 02 motor vehicles out of 25 motor vehicles which had been in running condition and the responsible officer had not obtained the revenue licences for other 23 vehicles.
- (h) Insurance certificates had been obtained only for 07 motor vehicles out of 25 vehicles which had been in running condition while insurance certificates for other 18 motor vehicles had not been obtained.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 02 per cent to 50 per cent were observed between the budgeted expenditure and the actual expenditure for the year under review, thus indicating that the Budget had not been made use of as an effective instrument of management control.

4.2 Annual Procurement Plan

The Sabha had not prepared an Annual Procurement Plan for the year 2016 in terms of the National Budget Circular No.128 issued on 24 March 2006.

5. Systems and Controls

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

System	Area needed Attention
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(a) Revenue Administration	(i) Recovery of arrears of revenue.
	(ii) Imposing of by-laws.
	(iii) Identification of revenue sources.
(b) Budgetary Control	- Preparation of the Budget properly.
(c) Stores Administration	- Storing of goods in a manner to check correctness promptly.
(d) Assets Control	- Vesting of ownership of fixed assets.
(c) Accounting	- Accounting of assets.