

Udapalatha Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to the audit on 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 14 June 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Udapalatha Pradeshiya 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

1.3.1 Accounting Deficiencies

- (a) Stamp duty of Rs.19,000 received in the year under review had been accounted as receivable income, hence the income and receivable income of the year had been overstated by that amount.
- (b) Three contracts amounting to Rs.440,331 which were entered into agreements in the year under review but not completed, had not been accounted under creditors.
- (c) The balance of plant and machinery had been understated by Rs. 54,066 due to accounting of 05 items of equipment procured in the year under review for Rs.167,223 as Rs. 113,157.
- (d) The balance of plant and machineries had been overstated by Rs.49,442 due to accounting of 08 computer accessories (UPS) procured on 20 July 2017 for Rs.29,600 as Rs.79,042.
- (e) Three wheeler charges of Rs. 201,600 which was arrears as at the end of the year under review had not been accounted under receivable income.

1.3.2 Non-reconciled Accounts

According to the financial statements, un-reconciliation of Rs.99,961,730 was observed when comparing balances of 02 accounts items with supporting registers.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 09 Accounts Receivable balances as at 31 December 2017 was Rs. 51,714,375, and balances over 05 years was aggregating Rs.4,619,789.

(b) Accounts Payable

While the total value of 02 creditor balances as at 31 December 2017 was Rs.12,917,322, and balances over 05 years was aggregating Rs. 956,810.

1.3.4 Lack of Documentary Evidence for Audit

Four accounts items aggregating Rs. 933,968 could not be satisfactorily verified in audit due to non-presenting relevant information.

1.3.5 Non-compliance

Instances of non-compliance with laws, rules and regulations were shown below.

Reference to laws, rules and regulations	Amount	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha (Finance and Administrative) Rules of 1988		
(i) 59	--	Annual survey had not been conducted with relating to businesses for which trade license should be issued for the year under review.
(ii) 218	--	Annual survey had not been conducted with relating to the land and building belonging to Sabha.
(b) Establishment Code of Democratic Socialist Republic of Sri Lanka		
Section 7.1 of Chapter xix	--	Though the possession of Government quarters should be handed over after the retirement, the possession had not been acquired by taking actions with regarding three retired officers who were not complied accordingly.

(c) Financial Regulations of
Democratic Socialist Republic
of Sri Lanka

571(3) 757,214 Withhold money and mix deposit
money deposited in 16 instances during
the period from 2012 to 2015 had been
kept in general deposit account even as
at the end of the year under review.

(d) Treasury Circular

Circular No. IAI/2002/02 dated 2,827,662 A register had not been maintained to
on 28 November 2002 record computers and computer
accessories.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 67,801,354 as compared with the corresponding revenue over recurrent expenditure for the preceding year amounted to Rs. 50,525,414.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	Estimated Revenue	2017			2016			
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	3,534,000	1,969,320	2,009,921	4,414,656	2,734,000	2,043,724	2,074,789	4,455,257
(ii) Rent	2,935,000	1,986,504	1,929,696	774,983	1,990,000	1,946,581	1,913,012	718,175
(iii) License Fees	2,000,150	1,629,090	1,629,090	--	1,800,150	1,850,248	1,850,248	--
(iv) Other Revenue	27,400,000	60,325,325	41,098,472	41,784,343	25,050,000	36,898,464	39,505,348	23,412,155
Total	35,869,150	65,910,239	46,667,179	46,973,982	31,574,150	42,739,017	45,343,397	28,585,587

2.2.2 Performance in Revenue Collection

The increase in arrears revenue was 64 per cent due to arrears as at 31 December 2016 from all sources of income was Rs. 28,585,587 and those arrears was Rs. 46,973,982 as at the end of the year under review.

2.2.3 Rates and Tax

(a) Rates

- (i) While there was a balance of rates in arrears amounting Rs. 2,205,112 as at 01 January 2017, billing for the year 2017 was Rs.1,394,500. The recoveries from them as at 31 December of the year under review was Rs.700,991 and Rs. 874,722 respectively. This was 32 per cent and 63 per cent. The recovery of income was in a poor level due to the arrears balance was Rs. 2,023,898 as at the end of the year under review. A balance of Rs.1,855,218 were further remained as at 30 April 2018.
- (ii) Actions had not been taken to recover the arrears rates of Rs. 71,157 as at the end of the year under review which were receivable from 04 Government Institutions since 08 years. A sum of Rs. 52,237 had further been receivable as at 30 April 2018.
- (iii) A sum of Rs.1,377,157 had been receivable to Sabha from persons who were failed to pay rates over 05 years and which were included in arrears rates balances as at 31 December 2017. Actions had not been taken in terms of section 158 of Pradeshiya Sabha Act in this regard.

(b) Acreages Tax

Actions had not been taken to recover an acreage tax balance of Rs.24,048 receivable from 09 persons over 05 years.

(c) Water charges

- (i) The arrears water charges as at 31 December 2017 had been Rs.2,191,131 and a sum of Rs. 837,868 receivable from idle water sources in Dalpitiya area and Doluwa area were included in this arrears water charges.
- (ii) Actions had not been taken to recover a water charges balance of Rs.82,145 which were arrears from 240 water consumers from the year 2005.

2.2.4 Rent

(a) House Rent

Actions had not been taken to recover the house rent balance of Rs.6,757 receivable from 06 officers / workers over 10 years.

(b) Shop Rent

According to the registers of Pussellawa sub office of the Sabha, actions had not been taken to recover shop rent balance of Rs. 386,658 and a sum of Rs.37,657 from 06 shops in Doluwa Public Market and Week Fair over 05 years.

2.2.5 Court Fines and Stamp Fees

Court fine of Rs. 1,513,745 and stamp duties of Rs. 40,270,598 were receivable from the Chief Secretary of the Provincial Council and other related authorities as at 31 December 2017. Out of this balances, court fine of Rs. 82,783 and stamp duty of Rs.40,251,598 had further been receivable as at 15 May 2018.

3. Operating Review

3.1 Performance

(a) Non implementation of Proposed Activities

Though, more attention of Local Government Institutions should be drawn on Public Health, allocation of Rs. 682,000 had been provided for 05 projects on Sabha fund for public health and that was 5 per cent. Two toilet systems constructed under it were the constructions made for office staff.

(b) Failure in Achieving Expected Outcome

The allocations provided to implement intended activities mentioned in section 03 of Pradeshiya Sabha Act No. 15 of 1987, the entire allocation of Rs.340,000 provided for 05 expenditure votes had been saved without utilizing for those objectives and allocation of Rs. 480,000 provided for another 05 expenditure votes had not been utilized from 50 per cent to 99 per cent.

(c) Delays in Contract Implementation

The agreement had been signed to commence works of 16 contracts after a delay of 02 months to 05 months period from the receipt of the approval of the Minister in charge for development proposals in the year under review from Sabha fund.

(d) Solid waste Management

Though 02 tons of crumbled waste from the separated waste collected daily had been gathered, actions had not been taken to use these waste for fertilizer manufacturing or to dump in environment friendly.

(e) Environmental Issue

There was a possibility of occurring health issues for people coming to the City and the hotels as well as canteens, due to dumping of daily collected garbage into a pit in Town Hall premises belonging to Pradeshiya Sabha located in the center of Pussellawa City, without any management. Further there was a possibility in mixing the waste into water sources surrounding the area in rainy days.

(f) Four Year Plan

Contracts which were expected to commence and estimated amounts of them had only been shown in the four year plan prepared for capital expenditure with relating to the period from the year 2017 to 2020, and details such as expected time frame of commencing and completing the contracts, number of beneficiaries, supervising officers were not included in the plan.

(g) Environment Plan

Though it was planned to implement by identifying 19 programs through the plan prepared by the Environment Division with relating to the year under review, the detailed information had not been shown that these programs would be conducted in which dates, for which area of community.

3.2 Management Inefficiencies

Sabha had generated considerable income by hiring Pussellawa Town Hall during early period and the income generating possibility had been avoided due to allowing some activities without hiring Town Hall in rent basis or public requirements from the year 2014 to the year under review.

3.3 Human Resources Management

- (a) Actions had not been taken to recover a loan balance of Rs. 127,271 receivable from 10 workers in retired, interdicted and deceased from the year 2014.
- (b) Actions had not been taken to recover the loan balances of Rs. 347,406 even as at 02 May 2018 receivable from 04 Officers in transferred out and retired in the year 2016 and in the year under review.

3.4 Operational Inefficiencies

- (a) Though the charges should be recovered by doing a survey in the previous year and including in registers with relating to trade license, environment license, Three wheeler parking charges and advertising boards; procedure of including into registers at the time of receipt had been followed without conducting such survey or inclusion in registers.

- (b) Arrears of Rs.110,600 could not be recovered as at the end of the year under review due to leasing out of 03 perches land beside Paradeka Public Market without entering into an agreement.
- (c) Though new rates assessment should be conducted at least once in 05 years, rates had been collected even for the year 2017 based on the rates assessment of the year 2005 without doing such assessment by the Sabha.

3.5 Assets Management

3.5.1 Un recorded Assets

- (a) Eight vehicles of Sabha valued at Rs. 7,205,839 had not been recorded in fixed assets register.
- (b) Fixed asset registers had not been maintained for plant and machineries and furniture and fittings.

3.5.2 Idle / Under-utilized Assets

- (a) Dump Truck valued at Rs. 6,009,602 had been under-utilized without using for effective activity.
- (b) Hand Tractor valued at Rs. 102,990 and a Cab which the value could not be identified had been kept idle for period of 02 years to 24 years.
- (c) Town Hall building located in the center of Pussellawa City had been allowed to destruct without any maintenance.

3.6 Procurement

Contract Administration

- (a) Part payment of Rs. 1,338,088 had been paid on 27 April 2018 by completing the work on 29 November 2017 which was estimated to construct non crumbled waste collecting center in Pussellawa City for Rs. 1,485,778. Following observations are made in this regard.
 - (i) Most of timber used was damaged and unsuitable for the roof which was estimated to use first grade 100 mm x 50 rafters and first grade 50 mm x 50 timber.
 - (ii) Finishing of wall plastering was in a poor level.
 - (iii) Painting works of the wall had not properly been performed.

- (iv) Though the painting was estimated to conduct twice in door surface with enamel paints, it was performed only once and that has not properly been performed.
 - (v) Though the inside floor of the building should be plastered with 1:3 cement and sand mix, poor level of mix had been used and easily been broken when it was tested.
- (b) A sum of Rs. 1,645,969 had been paid by completing the work on 24 July 2017 which was estimated for laying interlock stones surrounding Pussellawa Public Market for Rs. 1,857,969. Following observations are made in this regard.
- (i) Though the time had been extended into two instances mentioning difficulties finding standard size and standard quality stones, those were not comply with the standard due to fading and broken some red color stones fixing with concrete layer.
 - (ii) The kerb wall laid between interlocks had been 1 inch lower than interlock stones and 1 inch cement layer had been placed to fill that gap. Most of places had been broken due to the cement layer was not up to the standard.

4. Accountability and Good Governance

4.1 Budgetary Control

According to the budget prepared for the year under review, it was observed that the budget had not been made use of as an effective tool of management as there were variations from 26 per cent to 291 per cent in 04 items of revenue and variations from 33 per cent to 71 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Internal Audit

Independent and sufficient internal audit could not be carried out due to assigning some other duties other than internal audit activities for the Internal Audit Officer.

5. Systems and Controls

Deficiencies observed during 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 -----	Deficiencies -----
(a) Revenue Administration	i. Collecting of arrears revenue in poor level. ii. Giving properties on lease without signing agreements.
(b) Assets Management	i. Failure in updating fixed assets registers. ii. Remaining of idle and under-utilized assets. iii. Deficiencies in ownership acquisition.
(c) Debtors and Creditors	Failure in settling long term debtor and creditor balances.
(d) Budgetary Control	i. Failure in spending estimated provisions. ii. Failure in recovering estimated revenue.