

Udubaddawa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 29 April 2013 and the financial statements for the preceding year had been presented on 27 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 September 2013.

1.2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Udubaddawa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Udubaddawa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following observations are made.

- (a.) Income from court fines for the year under review had been overstated by Rs.1,195,722 and the court fines receivable as at end of 2012 had been overstated by Rs.1,118,878.
- (b.) Provision had not been made for stamp fees receivable for the year 2010 and a sum of Rs.7,000,000 received during the year 2012 in respect of the above; had been accounted as income for the year and therefore the income from stamp fees relating to the year had been overstated by a similar amount.

- (c.) The value of land and buildings amounted to Rs.39,641,942 and this had been shown in the financial statements as Rs.28,102,341 and therefore the value of fixed assets had been understated by Rs.11,539,601.
- (d.) The value of 07 works amounting to Rs.2,427,998 completed during the year under review had not been accounted under works debtors.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.2,139,510 could not be satisfactorily vouched in audit due to non-submission of the required information to audit.

2. Financial and Operating 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 2012 amounted to Rs.16,956,735 as against the excess of revenue over recurrent expenditure amounting to Rs.2,167,089 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	768	831	481
(ii.) Lease Rent	9,575	7,253	102
(iii.) Licence Fees	763	1,112	-
(iv.) Other Revenue	42,616	38,248	67

2.2.2 Rates and Taxes

Rates and taxes billed for the year under review amounted to Rs.750,000 and the arrears of rates as at 31 December 2012 amounted to Rs.194,197. This included arrears amounting to Rs.88,326 due from 36 units of which more than 08 instalments are due.

2.2.3 Lease Rent

Twelve properties of which the lowest bid was Rs.687,635 had been leased out during the year under review, and 17 properties of which the lowest bid was Rs.1,587,048 could not be leased out even though tenders had been called thrice.

2.2.4 Processing Charges for Telephone Transmission Towers

Two telephone transmission towers had been installed within the area of the Sabha and only a processing charge of Rs.20,000 had been recovered in respect of these towers. The Sabha had not paid attention to recover business tax or trade licence fees for the above.

2.2.5 Vehicle Parking Charges

According to the by-law relating to parking vehicles within the area of the Sabha, a registration fee of Rs.250 had been charged annually for parking three wheelers. An income of Rs.16,250 approximately had been earned during 2011 by registering 65 three wheelers under 04 parking locations. But, this income had been decreased to Rs.3,000 as at end of the year under review.

2.3 Irregular Transactions

(a.) According to letter No.GGRC/21/30 dated 25 July 2012 of the Commissioner of Local government, Wayamba only a sum of U.S.\$ 30 can be obtained as incidental expenses for the Vietnam tour. Nevertheless, contravening these provisions the Chairman and the Secretary had obtained Rs.217,131 more than the above.

- (b.) According to the agreement signed by the Chairman and the Secretary of the Sabha on 15 June 2009 with the President and the Secretary of the Milk Producers' Co-operative Society; approval had been given to the said Society to construct a 25'×20' building on a part of the land on which Welipennaghamula Library of the Sabha is situated. This had not been informed to the Commissioner of Local Government.

2.4 Assets Management

- (a.) The Sabha had not taken action to conduct a survey and assure the ownership and the existence of the assets in terms of Rule 218 of the Pradeshiya Sabha (Financial and Administrative) Rules-1988. The lands owned by the Village Councils had been vested with relevant Pradeshiya Sabha at the time of establishment of the Pradeshiya Sabhas and action had not been to acquire the lands relevant to this Sabha. Therefore, unauthorized constructions had been carried out on such a land at Thunthota area and action had not been taken in this regard.
- (b.) The Pradeshiya Sabha had obtained 06 fish selling huts valued at Rs.226,320 from the Ministry of Fisheries (Wayamba) during the year 2010 under 50% relief aid for Rs. 113,160. Of this 04 fish huts had been kept idle in the Kendayaya waste disposal land as at end of the year under review.

2.5 Vehicle Utilization

- (a.) Monthly cost reports had not been prepared in respect of the usage of the JCB Machine bearing No.RS-1220 purchased by the Sabha for Rs.5,250,000 during the year 2007 under Asian Development Bank credit facilities.
- (b.) 2,875 liters of fuel valued at Rs.330,976 had been consumed for this JCB Machine during the year 2012 and monthly cost reports had not been prepared for the machine, and instead, running charts had been prepared.

2.6 Human Resources Management

There were 13 permanent Road Labourers, 06 permanent Health Labourers and 03 Health Labourers on daily basis and an advance programme had not been prepared in respect of employing them in their daily duties. They had been employed on duties entrusted daily and a sheet called Daily Report on Employment of Labourers had been maintained in this regard. Only the number of labourers employed had been shown in this report and the names of the labourers specifically engaged for the relevant work had not been included. A form or a register had not been maintained in order to identify the manner in which the labourers attended on a particular date have been employed.

2.7 Operating Inefficiencies

- (a.) It had been reported to the Sabha in April 2012 about the unauthorized sub-letting of stall No.01 of the Dummalasooriya General Market and it is confirmed that the unauthorized sub-lessee is running the stall. Nevertheless, the Sabha had not taken action in terms of the provisions of Circular No.46 of 1980 of the Commissioner of Local Government to seal and acquire the stall.
- (b.) Two cases had been filed in the Kuliypitiya Magistrate Courts to recover the lease rent in arrears amounting to Rs.48,841 and according to the verdicts given, the lessees were ordered to pay the money. However, it was not known whether the said money have been recovered by the Sabha. The date of verdict had not been mentioned in the case register.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Vehicle Utilization