

Udarata Development Authority

1. Financial Statements

1:1 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1:2 of this report, the financial statements give a true and fair view of the financial position of the Udarata Development Authority of Sri Lanka as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1:2 Comments on Financial Statements

1:2:1 Best Accounting Practices

A motor vehicle with an assessed value of Rs.500,000 as at 31 December 2012, received as a donation from the Ministry of Policy Planning and Implementation on 06 August 2006 which should have been brought to account under the motor vehicles and the Government grants according to best accounting practices had not been so brought to account.

1:2:2 Accounting Deficiencies

The following deficiencies were observed.

- (a) A sum of Rs.113,977 spent on 25 August 2008 for carrying out repairs to a motor vehicle of the Authority had been brought to account as Property, Plant and Equipment and as such the value of Property, Plant and Equipment had been overstated by that amount.
- (b) The receivable balance of Revolving Fund amounting to Rs.6,382,743 shown in the financial statements as at 31 December 2010 had converted to a balance of Rs.8,535,592 as at 31 December 2012 due to the adjustments made for transactions in the years 2001 and 2012. Nevertheless, that balance had been shown in the financial statements for the year under review as Rs.8,374,868, thus resulting in an understatement of Rs.160,724.

- (c) The balance of the fixed deposits amounting to Rs.8,177,224 shown in the balance sheet included a fixed deposit of Rs.501,115 made on 15 January 2013. As such the value of fixed deposits had been overstated by that amount.

1:2:3 Lack of Evidence for Audit

The confirmation of balances required for confirmation of the sum of Rs.8,374,868 receivable from the beneficiaries to the Revolving Fund had not been furnished to audit.

1:2:4 Non-compliance with Laws, Rules, Regulations and Management Decisions

According to the Financial Regulation 882, an officer appointed to act in a post for which security deposits should be made in terms of the Public Officers Security Ordinance, should consider that he is permanently appointed to that post and furnish security deposits. Nevertheless, two officers appointed to act had not furnished security totalling Rs.30,000.

2. Financial Review

2:1 Financial Results

According to the financial statements presented, the operations of the Authority for the year ended 31 December 2012 had resulted in a deficit of Rs.38,770,251 as against the surplus of Rs. 5,679,287 for the preceding year, thus indicating a deterioration of Rs.44,449,538 in the financial results for the year under review. The imprests exceeding the performance requirements of the preceding year obtained from the Treasury and the non-receipt of adequate imprests for the development works of the year under review had been the main reasons for the deterioration.

2:2 Analytical Financial Review

The net current assets of the Authority for the year under review had decreased by Rs.42.4 million or 66 per cent and the net assets had decreased by Rs.44.9 million or 49 per cent as compared with the preceding year. The balance of the Accumulated Fund as at the date of the balance sheet as well had decreased by Rs.38.7 million or 65 per cent. The execution of development works amounting to Rs.34,362,613 despite the non-receipt of

capital provisions for the year under review had been the main reason for occurrence of such financial results.

3. Operating Review

3:1 Performance

The following observations are made.

- (a) Estimates amounting to Rs.50.1 million had been made in the year under review for the execution of 227 units of development works contracted and continued under 03 main divisions in the preceding year. Out of the estimated expenditure a sum of Rs.30.34 million or 61 per cent only had been utilized in the year under review. In addition, works valued at Rs.34,362,614 not planned in the year under review had been executed.
- (b) Latrine equipment valued at Rs.5,194,796 had been purchased and distributed under the Livelihood and Spiritual Accelerated Development Project among 413 beneficiaries selected from 03 Divisions of Divisional Secretariats. A test check of 26 beneficiaries carried out in this connection revealed that only two latrines had been constructed and that represented about 8 per cent. As such 24 sets of latrine equipment valued at Rs.301,872 at the rate of Rs.12,578 per person had not been utilized while certain beneficiaries who had not constructed latrines had sold those materials. Therefore, it was observed that an effective performance had not been achieved through the Project.
- (c) Under the Revolving Fund Programme of the Livelihood Development (Animal Husbandry) Project of the year 2011, fifty two milk cows had been supplied to the beneficiaries selected in the year under review for the Animal Husbandry (Cattle) Project and before the elapse of one year after the supply 06 cows had died due to various reasons. The insurance indemnity received by the Authority for the sum of Rs.507,291 spent on the dead cows and the related cattle sheds amounted only to Rs.40,000.
- (d) A milk stall had been run in the premises of the Divisional Secretariat, Akurana for about 20 months from 01 January 2010 at a cost of

Rs.587,427 utilizing the provisions of the Jathika Saviya and Gama Neguma Livelihood Development Programme for the years 2008/2009 under the National Programme for Popularizing Drinking of Fresh Milk. The stall had been closed down on 30 September 2011 and the building together with its equipment had been handed over to the Divisional Secretary. The building and the equipment had been idling from that date up to 30 April 2013.

3:2 Management Inefficiencies

A surcharge of Rs.848,429 had been paid due to the failure to pay the contributions to the Employees' Provident Fund in respect of the period from November 2007 to July 2011 on the due dates. The surcharge had not been recovered from the officers responsible.

3:3 Staff Administration

The following observations are made.

- (a) An officer who had not fulfilled the qualifications required for recruitment to the post of Deputy Director (Control and Finance) of the Authority had been promoted to that post with effect from 07 November 2012 and had been paid a sum of Rs.368,203 as salary and allowance for the period from that date to 31 May 2013.
- (b) The approved cadre of 18 posts of the Authority had been 50 and 49 persons comprising 40 employees on permanent basis, 04 on contract basis, 03 employees on daily basis and 02 employees purchase of services had been deployed in those posts.

3:4 Utilization of Motor Vehicles

Three motor vehicles of the Authority had been idling from the year 2011 to the year under review.

4. Accountability and Good Governance

4:1 Financial Statements

The financial statements prepared by the Authority had not been submitted to the Board of Management for approval even by 19 July 2013, the date of audit. The financial statements from the inception of the Authority in the year 2006 up to the year under review had been presented for audit without being reviewed and approved by the Board of Management.

4:2 Corporate Plan

Even though the Authority had prepared a Corporate Plan containing 95 sub-work units for a period of 5 years from the year 2008 to the year 2012, that plan had not been reviewed and updated on a timely basis. Out of the targeted activities of the Corporate Plan, only 19 sub-work units or 20 per cent had been executed. As such 76 sub-work units or 80 per cent had not been executed.

4:3 Internal Audit

An Internal Audit Unit had not been established in terms of Financial Regulation 133.

4:4 Procurement Plan

The Procurement Plan prepared for the year under review had not been prepared realistically. Action had not been taken either for updating the plan or to make use of it as an instrument of control.

4:5 Variance between the Budget Estimate and Actual Expenditure

- (a) In view of the inadequacy of provisions under 09 Recurrent Objects, provisions amounting to Rs.1,574,552 ranging from 19 per cent to 257 per cent had been transferred to those Objects from other Objects.

- (b) Provisions amounting to Rs.1,608,756 had been saved in 11 Objects and those savings ranging from 11 per cent to 100 per cent had been transferred to other Objects.

5. Systems and Controls

Deficiencies in systems and controls observed during the course of audit inspections were brought to the notice of the Chairman from time to time. Special attention is needed in respect of the following areas of control.

- (a) Implementation of Projects
- (b) Revolving Fund Programme
- (c) Contract Administration
- (d) Objective based direction of the Livelihood Development Projects
- (e) Accounting