

Ukuwela Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Auditor General on 25 July 2014 while Financial Statements relating to the preceding year had been submitted on 08 July 2013. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 12 December 2014.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Ukuwela Pradeshiya Sabha as at 31 December 2013 and financial results of its operation for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial Statements had not been prepared in accordance with Public Sector Accounting Standards of Sri Lanka.

1.3.2 Accounting Polices

Stores Advance Accounting System had not been followed.

1.3.3 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a.) Provision had not been made for Expense Creditors totalling Rs. 137,557 and Works Creditors totalling Rs.4,348,549. In addition to this, Debtors balances totalling Rs. 1,090,485 had been omitted in the accounts.

- (b.) Fixed Deposit balance of Rs.2,261,745 in the Ukuwela People's Bank as at 31 December 2013 had been omitted in the accounts.
- (c.) A sum of Rs. 2,051,561 paid in 11 instances for construction and development of buildings and a sum of Rs.289,029 being lease money collected for second stage of construction of the Public market had not been capitalized.
- (d.) Value of land in 30 perches extent where Dibburuwela Cemetery is situated had not been assessed and accounted. Building constructed at a cost of Rs. 1,618,312 under the "Pilisaruru Project" during the preceding year had been accounted again during the year under review.
- (e.) A sum of Rs.354,055 being the value of 10 items included under 03 Fixed Assets Accounts had also been accounted in the value of miscellaneous stores stocks, in addition to those accounts.
- (f.) While value of drugs amounting to Rs. 366,111 and value of inventory items amounting to Rs.117,853 as at 31 December 2013 had not been accounted; library books balance valued at Rs.14,253 had been under stated in the accounts.

1.3.4 Non-reconciled Control Accounts

The total of discrepancies observed between the 02 items of accounts totalling Rs.39,483,822 and the balances shown in the subsidiary registers and reports relevant to those amounted to Rs.15,729,182.

1.3.5 Accounts Receivable and Payable

Following matters were observed.

(a.) Accounts Receivable

While the total of 04 balances of Accounts Receivable as at 31 December 2013 amounted to Rs. 2,430,068, balances that had elapsed more than 05years included therein amounted to Rs.142,180.

(b.) Accounts Payable

While the total of 02 balances of creditors as at 31 December 2013 amounted to Rs.15,569,965, balances that had elapsed more than a year included therein amounted to Rs.1,988,487.

1.3.6 Lack of Evidence for Audit

Balances totalling Rs.461,940 could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

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

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Sections 132 (i) and (l) of the Pradeshiya Sabha Act No. 15 of 1987	- Expenditure amounting to Rs.31,440 had been incurred in 04 instances without complying with the provisions.
(b.) Rule 99 of the Pradeshiya Sabha Rules (Financial and Administration) of 1988	- Payment of Rs.463,867 had been made for 16 un-certified vouchers.
(c.) Public Administration Circular No. 41/90 dated 10 October 1990	- Fuel consumption tests of 05 vehicles belong to the Pradeshiya Sabha had not been carried out.
(d.) Circular No. 01/2013 dated 05 April 2013 of the Commissioner of Local Government, Central Province.	- Fuel Allowance mounting to Rs.185,000 had been paid to Vice Chairman and 12 Members who had not furnished daily running charts.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2013 amounted to Rs.16,436,943, as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 20,201,653. When compared with the preceding year, a decline of Rs. 3,764,710 was shown in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Rates and Acreage Tax

Rates and Acreage Tax balances in arrears as at 31 December of the year under review had been Rs.817,626 and Rs.31,431 respectively. Balances amounting to Rs.110,945 and Rs.31,235 that had exceeded more than 05 years period were included therein respectively.

2.2.2 Water Charges

Arrears balance of Water Charges Account as at 31 December of the year under review amounted to Rs.1,310,485.

2.2.3 Lease Rent

Arrears balance of Lease Rent Account as at 31 December of the year under review amounted to Rs. 251,965.

2.2.4 Court Fines and Stamp Fees

A sum of Rs. 1,364,434 on account of court fines and a sum of Rs.8,821,264 on account of stamp fees was due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

2.3 Surcharges

A sum of Rs.86,970 was due to be recovered as at 31 December 2013 relating to surcharges imposed during a previous year in terms of provisions in the Pradeshiya Sabha Act.

3. Operating Review

3.1 Operational Inefficiencies

Following matters were observed.

- (a.) Out of the 1305 applications received for approval of building plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978 during the year under review and preceding three years, 953 applications had been approved. However, out of those, Certificates of Conformity had been issued only for 121 applications.

- (b.) According to the Board of Survey report, a shortage of 41 units of inventory goods costing Rs.46,450 and 65 categories of goods to be auctioned valued at Rs.15,365 had been identified. However, any course of action had not been taken in that connection.
- (c.) Although License Fees had been recovered having identified 386 trade stalls to be issued with licenses, out of those, licenses had been issued only to 277 trade stalls. Balance 109 trade stalls had been engaged in business without obtaining licenses.

3.2 Transactions of contentious nature

Following matters were observed.

(a.) Leasing of Stalls

- (i.) Stalls in the new market had been assigned to 10 lessees for the originally agreed value of Rs.750 for the stalls in the old market, without complying with the paragraphs 01 and 03 of the Local Government Commissioner's Circular No. 1980/46 dated 31 December 1980.
 - (ii.) According to paragraph 07 of the above mentioned circular, it had been stated that the agreement should be cancelled on breach of conditions. However, action had not been taken to cancel the agreements or to take other suitable steps with regard to the lessees who had sub leased 04 stalls.
- (b.) Two constructions had been made in two lands not belong to the Sabah incurring expenditure amounting to Rs. 272,337.

3.3 Idle/Under-utilized Assets

While 06 Stalls in the Public Market complex had been kept closed since the year 2010, smoke machine received as a donation from the Disaster Management Ministry in November 2010 had been kept in the stores without being used.

3.4 Contract Administration

Following matters were observed.

Source of Provision	Nature of Work	Amount Spent	Date of Physical Examination	Deficiency
(a.) (i) General Funds	Development of final section of the Bodhiraja Avenue applying Concrete.	Rs. 65,448	19.11.2013	(i.) When few places of the road were examined after breaking it was observed that the concrete mixture was inferior. (ii.) Although 1 ½ inch metal should be used for the concrete mixture, 2 inches and above metal had been used.
(ii) -do-	Development of road up to Thalingamada, Watagoda 16 th Post	184,989	28.10.2014	When few places of the road were examined after breaking it was observed that the concrete mixture was not up to the specified standard.
(iii) -do-	Construction of Pre-school building in Ratwatta Section	223,105	28.10.2014	(i.) While chief Incumbent of Ratwatta Sri Muttumari Temple was living with his family members in the building, a pre-school had not been commenced.

					(ii.) 6 Used asbestos sheets too had been fitted to the roof.
					(iii.) Land of the building constructed had not been vested.
(b.)	(i)	“Maga Neguma” Improvement of 500,000 28.10.2014 Ananda Colony Road by laying concrete Blocks			(i.) Although payment had been made for laying concrete Blocks to the extent of 94.5 meters length, only 92.0 meters had been laid and therefore an overpayment of Rs.11,306 had been made for 2.5 meters.
					(ii.) In some places blocks had not been laid according to the standard.
	(ii)	-do- Improvement of 500,000 28.10.2014 Thalingamada, Watagoda road by laying rubble			Although payment had been for laying rubble to the extent of 93.30 meters length, only 92.20 meters had been laid and therefore an overpayment of Rs.4,642 had been made for 1.1 meters.

3.5 Solid Waste Management

Out of about 03 metric tons of solid wastes collected daily in the area of authority of the Pradeshiya Sabha, a quantity between 1 – 1 ½ metric tons of separated solid wastes are handed over to the Dematagolla Wastes Recycling Centre. It was observed that the balance wastes are dumped into two lands belong to the Sabah in Ukuwela and Elkaduwa, causing damages to the environment.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a.) Out of the provision of Rs. 780,000 made available for 18 items of expenditure through the budget for the year under review, transfers to other items of expenditure or savings had been made. There were variations between the net provision and the expenditure in a range from 20 per cent to 99 per cent relating to some other 50 items of expenditure.

- (b.) While any income had not been earned out of the estimated revenue of Rs. 8,627,000 included in the Budget under 30 revenue items, there were variations between estimated revenue and actual revenue in a range from 54 per cent to 92 per cent relating to some other 13 revenue items.

5. Systems and Controls

Special attention of the Sabah is needed in the following areas of controls.

- (a.) Budgetary control
- (b.) Assets Control
- (c.) Stores Control
- (d.) Debtors and Creditors Control
- (e.) Internal Control
- (f.) Financial Management