

## **Ududumbara Pradeshiya Sabha**

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**Kandy District**  
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### **1. Financial Statements**

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#### **1.1 Presentation of Financial Statements**

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Financial Statements for the year under review had been submitted to the Audit on 30 June 2015 while Financial Statements relating to the preceding year had been submitted on 16 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 14 August 2015.

#### **1.2 Opinion**

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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 Ududumbara Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

#### **1.3 Comments on Financial Statements**

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##### **1.3.1 Accounting Deficiencies**

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Following matters are observed.

- (a) Value of 06 vehicles belong to the Sabha had not been assessed and accounted.
- (b) Action had not been taken to identify and account the value of Toshiba Viewer Photo Copying Machine received as a donation.
- (c) Discount received amounting to Rs.11,427 in purchasing the Library Books during the year under review had not been accounted as an income.
- (d) Although the loan installment of Rs.187,926 payable to the Local Loans and Development Fund as at 31 December of the year under review relevant to the year should be accounted under the current liabilities, it had been accounted under non-current liabilities.
- (e) The Salary Reimbursements receivable amounting to Rs.2,706,611 as at 31 December of the year under review had not been accounted.

### 1.3.2 Non-reconciled Control Accounts

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Work Creditors balance of Rs.24,756,156 had not been shown under Current Liabilities in the Statement of Financial Position prepared as at the date of end of the year under review. Due to this, total assets and total liabilities had been unequal to that extent in the Statement of Financial Position. If the Work Creditors balance is included in the Current Assets, it was observed that total assets and liabilities would not tally to a further extent of Rs.2,000.

### 1.3.3 Accounts Receivable

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Out of the total value of 14 Accounts Receivable balances amounting to Rs.29,093,520 as at 31 December 2014, a sum of Rs.3,411,747 had exceeded a period of one year.

### 1.3.4 Accounts Payable

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Out of the total value of 05 Accounts Payable balances amounting to Rs.26,613,026 as at 31 December 2014, a sum of Rs.1,206,700 had exceeded a period of one year, while the value of Work Creditors out that amounted to Rs.762,816.

### 1.3.5 Non-compliance with Laws, Rules and Regulations etc.

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Following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, rules, regulations etc.	Non-compliance
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Financial Regulations of the Republic of Sri Lanka	
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i. F.R. 396(c)	Action had not been taken in terms of the regulation referred to in with regard to cheque No. 87531 valued at Rs.26,115 issued on 25 November 2013, but not presented for payment up to 30 June 2015, date of audit.
ii. F.R. 571 (2)	Action in terms of regulation referred to in had not been taken with regard to 05 items deposits valued at Rs.402,958 which had exceeded 02 years .

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs.1,380,427 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,230,230 indicating a decline of Rs.2,610,657 in the financial result.

### 2.2 Revenue Administration

#### 2.2.1 Performance in Revenue Collection

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

Item of Revenue	Arrears as at 01.01.2014	Revenue billed during the year	Revenue Collected out of arrears as at 01.01.2014	out of billing 2014	Amount not collected out of arrears 01.01.2014	Amount not collected out of billing 2014	Total to be collected
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	149,736	73,117	39,223	42,130	110,513	30,987	141,500
Acreage Tax	178,643	11,906	580	654	178,063	11,252	189,315
License Fees	--	596,050	--	596,050	--	---	---
Stalls Rent	498,630	549,700	204,030	426,615	294,600	123,085	417,685
Lease of Fair	3,104	158,035	---	158,035	3,104	---	3,104
Water Charges	1,034,622	683,505	487,096	200,962	547,526	482,543	1,030,069
Court Fines	656,462	343,129	56,462	182,797	---	160,332	160,332
Stamp Fees	1,649,066	1,893,050	1,649,066	113,030	---	1,780,020	1,780,020
Others	142,300	1,158,558	17,500	720,366	124,800	438,192	562,992

A balance of revenue in arrears amounting to Rs.4,282,413 was observed as at 31 December of the year under review.

#### 2.2.2 Rates

While there was a balance in arrears amounting to Rs.149,736 at the beginning of the year under review, billings during the year had been Rs.73,117. The percentage of recovery during the year had been 26 per cent of the arrears while it had been 58 per cent of the billings. The balance to be recovered as at 31 December 2014 reflected as Rs.141,500. Action had not been taken to recover

arrears of revenue even up to 30 April 2014 by following the provisions in terms of Sections 158 (1) and 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

### **2.2.3 Water Charges**

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While there was a balance in arrears amounting to Rs.1,034,622 at the beginning of the year under, there was a balance of arrears amounting to Rs.1,027,465 as at 31 December. As the recoveries made out of the Balance in arrears was 47 percent. The value of balances which had exceeded period of more than one year out of that had been Rs.547,526.

### **2.3.6 Court Fines and Stamp Fees**

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Court Fines amounting to Rs.160,332 and Stamp Fees amounting to Rs.1,780,020 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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- (a) Action had not been taken even up to 24 July 2015 to transfer the 02 motor cycles bearing Nos. CP-JW-5891 and CP-JW-6859 provided by the Rural Water Supply and Sanitary Unit, in favor of the Sabha.
- (b) While there was no garage belongs to the Sabha for parking vehicles of the Sabha, vehicles had been parked unsecured in the office ground and the Sabha conference hall ground opened various weather conditions.
- (c) Action had not been taken to obtain deeds or vesting orders relevant to 15 lands where buildings belong to the Sabha are situated, 49 lands where community halls are situated, 12 lands where relaxing houses are situated and 34 burial grounds.

### **3.2 Operational Inefficiencies**

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Following matters are observed in this connection.

- (a) Action had not been taken to recover arrears rent amounting to Rs.35,000 due to be recovered for providing the Tipper Vehicle of the Sabha on hire basis to a member of the Minipe Pradeshiya Sabha even up to 24 July 2015, date of audit.
- (b) Hire Charges amounting to Rs.32,200 due on account of providing to 03 Government Institutions during the years 2004 and 2007 had not been recovered.

- (c) Value Added Tax amounting to Rs.11,700 collected in the recovery of Environmental License Fees during the year under review by the Sabha which is an institution not registered for Value Added Tax had been withheld in an account for value Added Tax.

### **3.3 Idle and Under-utilized Assets**

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Following matters are observed in this connection.

- (a) Nine vehicles of the Sabha had been parked idle and under- utilized without being engaged in running for more than a period of one year.
- (b) Seven vehicles valued at Rs.4,542,575 and a vehicle of which value not identified remained idle and under- utilized.
- (c) Twenty seven units relevant to 04 item of office equipment valued at Rs.281,980 provided through the Local Government Department of the Central Provincial Council during the year 2014 had not been used even up to 24 July 2015, date of audit.

## **4. Accountability and Good Governance**

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### **4.1 Corporate Plan**

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A Corporate Plan of the Sabha for the year under review had not been prepared.

### **4.2 Procurement Plan**

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Although capital expenditure amounting to Rs.11,826,925 had been incurred by the Sabha during the year under review, a Procurement Plan had not been prepared for that.

### **4.3 Action Plan**

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An Action Plan had not been prepared by the Sabha for the year under review and due to that, reports to support that quarterly progress reviews were carried out were not furnished to audit.

### **4.4 Audit and Management Committees**

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Action had not been taken during the year under review to appoint Members to Audit and Management Committees and conduct meetings.

### **4.5 Internal Audit**

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An internal audit had not been carried out in the Sabha during the year under review.

#### **4.6 Budgetary Control**

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It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 12 per cent to 62 per cent in 04 items of revenue and variations from 18 per cent to 96 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure

#### **5. Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management.