

**Udubaddawa Pradeshiya Sabha**  
**Kurunegala District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 27 July 2015.

**1.2 Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Udubaddawa Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

Following Accounting Deficiencies are observed.

- (a) While the book value amounting to Rs. 145,000 of Type Writers, Garbage Carts, Ronio Machines and Water Pumps etc. had been included under Furniture and Fixtures, expenditure incurred amounting to Rs. 300,000 for the purchase of dry pharmaceuticals had been transferred to Capital Expenditure through journal entry No. 103.
  
- (b) Although the actual balance of Staff Loans as at the end of the year under review was Rs. 6,144,634, it had been shown as Rs. 4,675,440 in the financial statements understating in a sum of Rs. 1,469,194.

### **1.3.2 Unreconciled Control Accounts**

Non-reconciliations amounting Rs.819,566 relating to 06 items of accounts between the account and the relevant subsidiary registers were observed under final balances for the year under review.

### **1.3.3 Accounts Receivable and Payable**

- (a) While the value of Accounts Receivable balances as at 31 December 2014 was Rs.30,648,782. Out of that, a sum of Rs. 482,538 as 1.6 per cent approximately, was balances that had been brought forward from a period of more than 3 years.
- (b) The value of Accounts Payable balances as at 31 December 2014 was Rs.15,164,407. Out of that, a sum of Rs. 781,371 as 5.1 per cent approximately, was balances that had been brought forward from a period of more than 3 years.

### **1.3.4 Lack of Evidence for Audit**

A detailed check could not be carried out due to non-submission of required information to audit with regard to transactions totalling Rs.1,604,104.

## **2. Financial Review**

### **2.1 Financial Results**

According to the Financial Statements presented, operational surplus of the Sabha for the year ended 31 December 2014 amounted to Rs. 6,475,444 as compared with the corresponding operational surplus amounted to Rs. 7,046,158 for the preceding year, indicating a decline of Rs.570,714 in the operational result. When Capital Grants of Rs. 16,525,439 and Capital Expenditure of Rs. 17,462,156 are adjusted to this operational result, financial result relevant to the year under review had become a surplus of Rs.5,538,727.

## **2.2 Analytical Financial Review**

Following matters are observed.

- (a) Out of the total Recurrent Revenue of Rs.49,378,606 relevant to the year under review of the Sabha, a sum of Rs. 35,549,373 as 71.9 per cent approximately was consisting revenue not falling under a nature generated in the Sabha such as Court Fines, Stamp Fees and Salary Reimbursements. Similarly, the entire Capital Revenue of Rs. 16,525,439 was consisting funds provided for development activities of the area of authority through other institutions from sources such as Gama Neguma and Maga Neguma.
  
- (b) Out of the total Recurrent Expenditure of Rs. 42,903,162 relevant to the year under review, a sum of Rs. 29,313,960 as 68.33 per cent approximately was expenditure for Personnel Emoluments. Out of that a sum of Rs. 22,768,648 as 77.67 per cent approximately, had been received from the Commissioner of Local Government as salary reimbursements and that value had been accounted under Other Revenue. Similarly, Out of the Capital Expenditure of Rs. 17,462,156, only a sum of Rs. 7,299,750 as 41.80 per cent approximately had been spent out of the Sabha Fund while balance amount of Rs. 10,162,406 as 58.20 per cent approximately were development works performed out of the provisions from other sources such as Gama Neguma and Maga Neguma.

## **2.3 Revenue Administration**

### **2.3.2 Lease Rent**

It had not been possible to lease out 06 meat stalls at minimum bid of Rs. 263,988, 07 fish stalls at minimum bid of Rs. 39,545 and 06 coconut yield at a minimum bid of 27,106 relevant to the year under review.

### **2.3.3 Court Fines and Stamp Fees**

While the Court Fines Receivable as at the end of the year under review from the Chief Secretary to the Provincial Council was 193,373, Stamp Fees Receivable amounted to Rs.14,059,304.

### **3 Operating Review**

#### **3.1 Management Inefficiencies**

Following matters are observed.

- (a) Action had not been taken to recover a sum of Rs. 123,810 due for leasing out the Kattimahana Pork Stall causing an additional cost to file a court case.
- (b) While the approved cadre of the Sabha was 82 posts, actual cadre had been 90 posts. At the end of the year there was a net surplus of 8 posts. While there was a surplus of 17 posts under 5 designated names, there was a shortages of 09 posts under 07 designated names.

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

- (a) Registration Certificates, Insurance Cover and Revenue Licenses had not been obtained for two vehicles valued at Rs. 10,178,880 received during the year 2014. Due to that those vehicles had not been engaged in running and remained under-utilized up to May 2015.
- (b) Production Works of the Stone Blocks Project commenced in March 2012 had been stopped after 12 December 2013. It was revealed at the physical inspection carried out on 18 October 2014 that the relevant machines and buildings had not been utilized due to that.

### **4. Systems and Controls**

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

- (a.) Accounting
- (b.) Financial Control
- (c.) Revenue Administration