

Uva Paranagama Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 15 May 2015 while Financial Statements relating to the preceding year had been submitted on 27 June 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 13 August 2015.

1.2 Opinion

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 Uva-Paranagama 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

1.3.1 Accounting Deficiencies

- (a) Although the balance of the loan obtained from the Local Loans and Development Fund as at 31 December of the year under review was Rs.2,000,000 it had been shown as Rs. 2,750,000. Due to that, Liabilities had been overstated in a sum of Rs. Rs. 750,000 in the financial statements.
- (b) Stamp Fees Revenue in Arrears received amounting to Rs. 1,530,466 during the year under review had been accounted as Courts Fine Revenue in Arrears. Due to that, Stamp Fees Revenue for the year under review had been overstated in a sum of Rs. 1,530,466 while Courts Fine Revenue had been understated to that extent in the financial statements.
- (c) Provision for Creditors had been made on the basis of estimated value without taking into consideration the bills submitted after completion of works relating to 03 Works as at 31 December of the year under review. Due to that, expenditure for the year and the Liabilities as at the date of end of the year

under review had been understated at the Rate of Rs. 335,309 in the financial statements.

- (d) Provision for Creditors had been made on the basis of development proposals submitted by the Members for 26 Works valued at Rs. 664,000 as at 31 December of the year under review. Due to that, expenditure for the year and the Liabilities as at the date of end of the year under review had been overstated at the Rate of Rs. 664,000 in the financial statements.
- (e) Value of 10 Multi-Purpose Mobile Booths amounting to Rs. 265,000 received from the Ministry of Local Government and Provincial Councils and Value of 408 Galvanized Flag Posts amounting to Rs. 403,316 received from the Divi Neguma Department during the year under review had not been capitalized. Due to that, value of Non-Current Assets and the balance of the Contribution from Revenue to Capital Outlay Account as at 31 December of the year under review had been understated at the rate of Rs. 668,316 in the financial statements.
- (f) Non-settled Advances amounting to Rs. 40,000 as 31 December of the year under review had not been shown in the financial statements. Due to that balance of the Non-settled Advances amounting to Rs. 40,000 had been understated in the financial statements.

1.3.2 Non-reconciled Control Accounts

While the balance relevant to an item of accounts according to subsidiary registers was Rs. 686,458, the balance according to the Statement of Financial position it had been Rs. 626,456. Accordingly, a difference of Rs. 60,002 was observed.

1.3.3 Accounts Receivable and Payable

According to the financial statements presented value of Accounts Receivable as at 31 December of the year under review was Rs.49,450,095, while the value of Accounts Payable had been Rs. 35,226,777.

1.3.4 Lack of Evidence for Audit

Two items of accounts valued at Rs. 35,414,074 could not be satisfactorily vouched in audit due to non-remission of schedules.

1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

Reference to Laws, Rules, and Regulations -----	Non-compliance -----
(a.) Pradeshiya Sabha Act No. 15 of 1987 Section 132	A sum of Rs. 57,000 had been spent out of the Sabha Fund for providing traveling bags and umbrellas to the Members.
(b.) <u>Financial Regulations of the Republic of Sri Lanka</u>	
(i.) Financial Regulation 371	Advances granted amounting to Rs. 686,458 in 10 instances during the time range between the years 1991 – 2011 by the Sabha had not been settled even as at 31 December 2014.
(ii.) Financial Regulation 1646	Daily running Charts and Monthly Performance Summaries for March to December 2014 relating to 04 vehicles belong to the Sabha had not been submitted to audit.
(c.) Pradeshiya Sabha (Finance and Administrative) Rule 212 - 1988 and Financial Regulation 751 of the Republic of Sri Lanka	408 Galvanized Flag Posts valued at Rs.403,316 provided to the Sabha had not been recorded in the Stocks Registers or Inventory Register.
(d.) Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government	Monthly Lease Rent of 77 stalls belong to the Sabha had not been assessed in terms of the provisions in the circular.

- (e.) Pension Circular No. 04/2010 dated 25 May 2010 and the Letter No. 1/8/1/31(1) dated 08 December 2014 of the Secretary to the Governor of the Uva Province. Contribution to the Public Service Provident Fund had not been made on behalf of 04 employees serving as water distributors on the basis of allowance in Water Schemes of the Sabha .

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs. 11,143,360 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 13,219,576. Accordingly, an unfavorable variance of Rs. 2,076,216 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Lease Rent

- (a) Rent in arrears amounting to Rs.118,059 relevant to a time range from 13 months to 64 months of 10 stalls belong to the Sabha had not been recovered as 31 December 2014.
- (b) While cases had been filed for recovery of stall rent in respect of 08 stalls relevant to the period from 1990 – 1996, rent had not been recovered as per judgments of those cases. The amount in arrears for those stalls as at 31 December 2014 was Rs. 108,616.

2.2.2 Court Fines and Stamps Fees

Court Fines amounting to Rs. 2,500,000 and Stamp Fees amounting to Rs. 3,324,759 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31December 2014.

3. Operating Review

3.1 Operating Inefficiencies

- (a) Security Money amounting to Rs. 120,900 deposited by 13 Sabha Employees had not been invested in bank accounts in favor of the names of the employees.
- (b) While a sum of Rs. 99,040 had been given to the Sabha under Criteria Based Development Proposals – 2013, to provide steel wire and cements to develop the Davuldena Ghaneswara Buddhist Centre, action had not been taken to fulfill the relevant development proposal.
- (c) The Water Motor purchased having paid a sum of Rs. 229,960 under Criteria Based Development Grants – 2013, for Pannalawela Water Scheme had not been fixed to that Water Scheme

3.2 Idle/Underutilized Assets

- (a) Action had not been either for disposal or to make use of the Farm Master Hand Tractor bearing No.EMDI – 120.
- (b) The building constructed having spent a sum of Rs. 1,107,927 and opened on 31 October 2012 by the International Food and Agricultural Organization with the objective of providing benefits to 200 families under the Programme for Assisting the Dry Zone Living Strategies had not been used for that up to now.

3.3 Contracts Administration

Although a sum of Rs. 274,255 had been paid as advances out of the Sabha Fund for 03 Works implemented under the Criteria Based Grants-2010, the sum of Rs.274,255 spent out of the Sabha Fund had not been reimbursed by the Provincial council due to submission of fake information and the failure to complete the works within the time period allowed.

4. Systems and Controls

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

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