

**Udapalatha Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 06 April 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015 and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 16 August 2016.

1.2 Qualified 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 Udapalatha Pradeshiya Sabha as at 31 December 2015 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 Non-reconciled Control Accounts

When compared with the Assets amount of Rs. 4,582,690 in Industrial Debtors mentioned in the financial statements and the amount of Rs. 4,728,602 mentioned in primary books, an unreconciled amount of Rs. 145,912 were observed.

1.3.2 Accounts Receivable

While the value of 02 Accounts Receivable balances was Rs. 9,451,475 out of that value of balances that had been outstanding over 01 year was Rs. 4,868,758.

1.3.3 Accounts Payable

While the total value of 03 Accounts Payable balances as at 31 December 2015 was Rs. 14,397,190, out of that, the value of account balances that had been outstanding over 01 year was Rs. 8,432,423.

1.3.4 Lack of Evidence for Audit

Land and Buildings amounting to Rs. 115,930,000 had not been verified in audit due to non-presenting of title deeds, transfer orders and plans to confirm the ownership to audit.

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

Following instances of non-compliance were observed.

Reference to laws, rules and regulations etc.	Non-compliance
----- Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988.	----- Explanatory statement of giving reasons for excess/ shortages in each Income/ Expenditure Vote by comparing budgetary financial allocations with supplementary had not been prepared and presented.
(i) Rules 193	
(ii) No. 218	Actions had not been taken to conduct annual examinations of Land and buildings of the Sabha.

2. Financial and Operating 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 2015 amounted to Rs. 29,594,136 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 16,194,657. Accordingly, an improvement in a sum of Rs. 13,399,479 was observed in the financial results.

2.2 Analytical Financial Review

Increase in 04 income items and decrease in one expenditure vote had been main reason for that improvement.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

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

Item of Revenue	Arrears as at 01.01.2015	Revenue Billed during the year	Surcharges	Discount and Setoff	Revenue Collected Out of Arrears as at 01 01 2015	Out of amount Billed during the year 2015	Total Arrears to be collected
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,907,049	1,266,687	96,633	88,640	364,571	565,398	2,251,759
Rent	609,255	1,757,916	45,757	21,706	100,860	1,607,937	682,425
Water	2,011,055	374,430	--	9,025	168,087	79,805	2,128,568
Total							<u>5,062,752</u>

Three revenue votes balance of Rs. 5,062,752 was in arrears as at the end of the year under review.

2.3.2 Rates

- Although the properties in the area of authority of the Council should be assessed once in 05 years, Rates for the year under review had been recovered base on the assessment of the year 2005 as well.
- Rate outstanding balance as at 01 January 2015 was Rs. 1,913,801, and out of that, 19 percent had only been recovered during the year. Recoveries from the billing for the year were 45 percent.
- The outstanding balance was included the balance of Rs. 1,742,587 received from rates defaulters for periods between 1-22 years, and actions had not been taken to recover this amount in terms of article 158 of the Pradeshiya Sabha Act No. 15 of 1985.

2.3.3 Water Charges

Outstanding water charges Balance as at 01 January 2015 was Rs. 2,011,055 and, out of that percentage of recovery was 8 percent. Recoveries of billing for the year were 21 percent.

2.3.4 Shop Rents

- Fifteen stalls in Doluwa weakly fair and Public Market had been leased out without an agreement.
- Though the tender had been called to lease out a stall at Doluwa Public Market and 06 upstare stalls at weakly fair in Doluwa those had been closed due to non-receiving of bids. Actions had not been taken to re-lease by preparing lease conditions.

2.3.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 2,726,603 and Stamp Fees amounting to Rs. 21,854,981 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

- (a) Considerable cash balance was available in the Current Account No. 018100154963797 maintained in the People's Bank by the Sabha, and attention had not been drawn to generate additional income by investing this money in fixed deposit.
- (b) Toshiba type two photo copier machines and a hand tractor had not been auctioned as per the instructions of the board of survey of the year under review.
- (c) Actions had not been taken in respect of quarters given to an officer transferred out on 22 April 1993 and an officer retired on 23 November 2008 to taken over even as at 31 December 2015. A fine of Rs. 145,967 should have been charged from these two employees as per the paragraph 7.2 of chapter XIX of the Establishment Code due to occupying in quarters. It was revealed that, 07 officers including the above two officers have been occupied in government quarters from 06 to 49 years period.

3.2 Operational Inefficiencies

(a) Certificate of Conformity

Only 18 buildings had been issued the Certificate of Conformity out of the 444 building applications approved from 2012 to December 2014.

(b) Environmental Permits

Fifteen Environmental Permits which lapsed the period of 03 years had not been renewed even as at 22 June 2016.

3.3 Improper Transactions

As per the Cabinet Decision on 11 February 2015, foreign travels by using government funds had been suspended, and while it had been informed to use the funds belongs to those Institutions for the betterment of the people in the region, 29 Members of the Sabha had been paid a sum of Rs. 2,720,000 by Rs. 160,000 each in improper manor for the participation of workshop on Waste Management and Disaster Management conducted in China from 08 May 2015 up to the 13. The money spent could not be beneficial to the Council as the Council was prorogued in 08 May 2015. This amount had been paid from an Expenditure Vote, and the exact foreign travel had not been confirmed. Also the period of the Sabha was end in 15 May 2015 in which a few days after this travel, and benefit in any mean had not been received to the Sabha from that expenditure.

4. Accountability and Good Governance

4.1 Budgetary Control

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 15 per cent to 55 per cent in 06 items of revenue and variations from 13 per cent to 76 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Internal Audit

An adequate internal audit had not been carried out in the Institute during the year under review in terms of Financial Regulation 133 of the Republic of Sri Lanka and the Circular No. DMA/2009/01 dated 09 June 2009 of the Management Audit Department.

5. Systems and Controls

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

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