

**Ududumbara 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 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 June 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 03 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 Ududumbara Pradeshiya 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 Accounting Deficiencies

Following matters were observed.

- (a) Stocks balance of Rs. 625,935 at the end of the year had been credited to Stores Advances account and shown under Current Liabilities instead of maintaining of store advances method for purchasing and issuing of stores items.
- (b) Though an amount of Rs. 775,000 had been accounted under Lands and Building as Wayside Rests, most of them had been ruined. Three Wayside Rests amounting to Rs. 200,000 had been crashed, and those amounts had still been shown under Land and Buildings.
- (c) The value of the Water Bowser No. CPRX – 2565 had not been accounted.

1.3.2 Accounts Receivable

While the value of 08 Accounts Receivable balances was Rs. 16,387,845, out of that value of balances that had been outstanding over 01 year was Rs. 11,541,857.

1.3.3 Accounts Payable

While the total value of 04 Accounts Payable balances was Rs. 15,148,401, out of that balance, the value of Industrial Creditors was Rs. 14,728,980. The value of loan balances that had been outstanding over 01 year was aggregating Rs. 11,588,417.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs. 13,220,097 relating to 06 items of accounts could not be satisfactorily vouched/ examined in audit due to non-presenting of required information to audit.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 1,973,207 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 1,380,427. Accordingly, an improvement in a sum of Rs. 3,353,634 was observed in the financial results.

2.2 Revenue Administration

2.2.1 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	Collection of year 2015/ Fine amount	Discount and Setoff	Revenue Collected		Total Arrears to be collected
					Out of Arrears as at 01 01 2015	Out of amount Billed during the year 2015	
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs
Rates and taxes	330,815	634,174	30,100	21,928	65,245	427,817	480,099
Lease Rent	414,905	517,200	25,970		380,685	365,910	211,480
License Fees	30,000	645,950			30,000	645,950	--
Other Revenue	3,544,633	4,046,706	108,525	61,080	1,671,769	2,239,041	3,727,974
Total							4,419,553

The total revenue balance of Rs. 4,419,553 was in arrears as at the end of the year under review.

2.2.2 Rates

(a) While there was a Rate in arrears balance amounting to Rs. 141,500 at the beginning of the year under review, only a sum of Rs. 64,833 or 46 per cent had been collected during the year. The arrears as at the 31 December 2015 were Rs. 279,764 and out of that balance the arrears for more than one year had been Rs. 141,500. The secretary had

informed me on 04 July 2016 that a sum of Rs. 197,892 was further receivable from that amount.

- (b) Actions had not been taken to recover the Rates in arrears according to the Pradeshiya Sabha Act (Financial and Administration) 1988, Rule No.33 to 42.

2.2.3 Lease Rent

Stall rent balance of Rs. 414,905 was remained as at the opening of the year under review and out of that a sum of Rs. 380,685 had been recovered. Out of the billing during the year amounting to Rs. 517,200 only a sum of Rs. 365,910 had been received by cash. A sum of Rs. 211,480 was receivable as at the end of the year under review and out of that amount a further Rs. 21,830 had to be received as at 30 June 2016.

2.2.4 License Fees

Environment Protection License had not been issued to 56 business units in the area of authority of Sabha industries including drying of tobacco and paddy grinding mills as Specific Projects published in Extra Ordinary Gazette Notification No. 1533/16 dated 25 January 2008, under the regulations of the National Environmental Act No. 47 of 1980 amended from acts No. 56 of 1988 and No. 53 of 2000 and there by the Sabha had lost a revenue of Rs. 168,000

2.2.5 Other Revenue

(a) Acreage Tax

While there was an outstanding Acreage tax of Rs. 189,315 at the beginning of the year under review, billings for the year had been Rs. 11,906. Out of them, recoveries during the year had been Rs. 1,444 and it was in poor level as much as 12 per cent of billings. Acreage tax outstanding balance as at the end of the year under review was Rs. 200,334. Out of that balance a sum of Rs. 94,807 had been receivable as at 30 June 2016.

(b) Water Charges.

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- (i) The arrears water charges as at the opening of the year under review was Rs. 1,030,069, and out of that a sum of Rs. 547, 556 had been recovered during the year. The billing for the year was Rs. 774,508 and out of them a sum of Rs. 337,798 had been received. The balance as at the end of the year had been Rs. 919,103. Out of that balance a sum of Rs. 447,883 had further been receivable as at 30 June 2016.
- (ii) Five hundred fourteen water connections had been given by the Sabha under 03 water project and 410 out of them were connections without water meters. There was a possibility of losing significant amount of income due to difficulty in calculating water usage as the connection had been given without water meters.

(c) Taxi and Three Wheeler Charges

The arrears as at the beginning of the year under review was Rs. 259,100, and out of that only a sum of Rs. 16,100 or 06 per cent had been recovered during the year. The billing for the year was Rs. 241,200 and out of that only a sum of Rs. 45,900 or 19 per cent had been recovered. The arrears as at 31 December 2015 were Rs. 438,300. Out of that a sum of Rs. 80,700 had further been outstanding as at 30 June 2016.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 147,254 and Stamp Fees amounting to Rs. 2,145,660 were receivable as at 31 December 2015. Furthermore, Stamp Fees amounting to Rs. 1,982,974 was receivable as at 30 June 2016.

3. Operating Review

3.1 Management Inefficiencies

Following matters were observed.

- (a) A sum of Rs. 121,281 earned as tax from Environment Protection License had been kept as Deposits without remitting to the Commissioner of Inland Revenue due to non-registering for Value Added Tax by the Sabha.
- (b) The land which has multi-purpose building with a vocational training center had been lease out on rent to regional electricity office of Ceylon Electricity Board for Rs. 1,044,000 for the period from 25 July 2014 to 24 July 2016 by Rs. 43,500 per month without taking actions to acquire the ownership of the land. Notary fees of Rs. 31,320 had been paid in this regard.
- (c) Eighteen vacant posts and 02 excess posts were available in the Sabha.
- (d) Annual income and expenditure account and statement of cumulative cost benefit had not been prepared for the Duplo printing machine which had been purchased and deployed for commercial purpose, and when compare the stationery expenditure, maintenance and staff salary with the revenue from deploying the printing machine, a financial loss of Rs. 155,526 had been occurred during the year. Actions had not been taken to recover the receivable amount of Rs. 90,425 from printing activities attended in 10 Local Government and other Government institutions. Out of this balance, a sum of Rs. 30,000 had further been outstanding as at 30 June 2016.

3.2 Operational Inefficiencies

Following matters were observed.

- (a) Trade license fees had not been charged from all business institutions in the area of authority of the Sabha, and it was revealed in spot check carried out on 18 November 2015 that, 03 rest houses and a power house operating in the road aside from Hunnasgiriya to Meemure had not been charged tax or fees.
- (b) It was revealed 06 unauthorized constructions in the check carried out in the road from Hunnasgiriya to Meemure taken as the sample.

3.3 Contract Administration

3.3.1 Construction of Kalalgamuwa Community Hall

A sum of Rs. 980,000 had been spent by completing the work on 20 December 2015 constructing of Kalalgamuwa New Community Hall under Village Improvement Programme parallel to 100 days Development Programme. Though the concrete roof had only been constructed, relevant measures had not been taken to complete the balance work of the building. Therefore, building could not be used and had been allowed to become a jungle even as at 13 May 2016.

3.3.2 Construction of Madugalla New Community Hall

A sum of Rs. 757,361 had been spent to construct Madugalla New Community Hall under Village Improvement Program Programme parallel to 100 days Development Programme. According to agreed work items, though the concrete roof had only been constructed, relevant measures had not been taken to complete the balance work of the building. Therefore, building constructed by spending Rs. 757,361 could not be used and had been allowed to become a jungle even as at 13 May 2016.

3.3.3 Reconstruction of Madugalla South and Kevulgama Road

According to Village Improvement Program Programme parallel to 100 days Development Programme, the construction had been awarded to Madugalla Divineguma Community Base Organization for estimated amount of Rs. 490,000 and had been paid a sum of Rs. 441,000 after the work completion. It was observed in the inspection made on 17 May 2016 and breaking the road surface that, it had been constructed by using low grade concrete without solid and standardized, instead of concreting of road surface estimated under work item 03 by using 1:2:4(³/₄) cement, sand and metal mixture.

3.3.4 Non-implementing of Projects.

Actions had not been taken to implement 04 Projects that planned to implement during the year under review, and made allocations aggregating Rs. 740,000.

3.4 Solid Waste Management

A Compost Project had been started in the year 2010 by spending a sum of Rs. 3,487,828 provision given from the Ministry of Agriculture and Environment in Central Province. Following observations were made in this regard.

- (a) Waste had been received by non-separating properly as crumble or not, and actions had not been taken to remove non-crumble items properly after dumping into the compost pit.
- (b) The Tank which proposed to remove the water content bearing in waste were not enough for that purpose, and effluvium flowing situation had been improved due to higher water content bearing in waste than expected to process the compost.
- (c) Though two tanks had been constructed in enabling to use alternatively as the waste crumbling, because of the cover roof had been placed low, the difficulties had been occurred in making the crumbled waste tanks empty by using manpower.

- (d) Even though a Sifter had been purchased in the year 2013 by spending Rs. 135,500, it could not be operated due to non-getting of power supply for that premises.
- (e) Fertilizers could not be used to sell due to non-using of the Sifter and the difficulty in removing non-crumbled items in compost fertilizer by using manpower.

According to the above matters, the amount of Rs. 3,487,828 spent for the constructions had been fruitless expenditure, due to improper operations in Compost Manufacturing and waste management.

3.5 Vehicle Control

The running information with regarding the 244km of one vehicle from 26 March 2016 to 11 May 2016 and 463km of another vehicle of Sabha from 28 April 2016 to 11 May 2016 had not been maintained.

4. Good Governance and Accountability

4.1 Budgetary Control

- (a) The entire allocation of Rs. 331,000 from 11 expenditure Votes had been remained saving, as the provisions made without planning the requirement.
- (b) The entire estimated income of Rs. 2,011,000 from 05 income Votes could not be earned as the provisions made without planning and due care.

4.2 Procurements Plan

A Procurement Plan had not been prepared.

4.3 Internal Audit

Sufficient internal audit could not be carried out due to assigning of duties in other subject to the Internal Auditor of the Sabha.

4.4 Assets Management

Idle / Under-utilized Assets

Water Store Equipment stock amounting to Rs. 542,508 had been kept in stores without using.

5. Systems and Controls

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

- (a) Assets Management
- (b) Revenue Administration
- (c) Contract Administration