

**Udunuwara 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 14 March 2016 while Financial Statements relating to the preceding year had been submitted on 11 May 2015 and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 22 July 2016.

1.2 Disclaimer of Opinion

Because of the matters described in paragraphs 1.3.1, 1.3.2, 1.3.4 of this report, I have not been able to obtain sufficient an appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations were made.

- (a) Registration fees of Rs. 289,280 relating to charges for services under 02 health services objects and processing charges of Rs. 740,530 relating to charges for services under 03 physical plan were included in the ledger account without including in financial and operating statement.
- (b) Un paid wages and salaries amounting to Rs. 138,828 relating to the year 2014 had been brought forward as creditors and a sum of Rs. 702,888 had been paid during the year under review in that regard. Hence action had not been taken to make adjustments in accounts for the over payment amount of Rs. 564,060.
- (c) Though, as per the notes to the accounts with relating to property and plants presented with financial statement additions during the year under review for property and plants was Rs. 39,256,966, a sum of Rs. 27,000,000 over statement had been shown in capital due to the property and plant shown as Rs. 66,256,966. Further, income contribution account for the capital was over stated by that amount.
- (d) As per the ledger, though balance of stamp fees receivable account was Rs. 31,033,898, the stamp fees income had been over stated by Rs. 5,120,973 due to the balance shown in the financial statements was as Rs. 36,154,871
- (e) The value of 02 toilet construction projects aggregating Rs. 99,986 which were not taking actions to engaged with agreement during the year under review, had been accounted under creditors.

- (f) The amount of Rs. 1,081,063 spent in 05 instances during the year under review for improving capital assets had not been capitalized.
- (g) Though, 07 fixed deposits had been withdrawn during the year under review, interest income of Rs. 359,053 relating to the said period of the year had not been accounted.
- (h) As per notes to the accounts No.02, though the total revenue for the year under review was Rs. 33,866,863, the understatement of revenue by Rs. 1,000,00 had been accounted due to that amount was shown as Rs.32,866,863 in statement of financial position.
- (i) Though, the amount of Rs. 58,750 received from auction in the year under review for furniture and fittings, and office equipment had been accounted as revenue, the cost of those goods had not been transfers from those assets accounts.
- (j) The contributory pension payable amount of Rs. 32,907 with relating to 04 months of the year under review had been duplicated in under general supply creditors and un paid wages and salaries.
- (k) The rates of Rs. 115,097 received in the year under review with relating to forth coming year had been accounted as receipt relating to the year under review.
- (l) As per the loan register, though staff loan balance as at 31 December 2015 was Rs. 7,602,443, it was shown as Rs. 8,299,991 in financial statements.

1.3.2 Non-reconciled Control Accounts

While the balance of 07 accounts objects according to the control account was Rs. 181,430,577, according to the subsidiary registers, balance of the account had been Rs. 157,359,342 hence a non-reconciliation of Rs. 24,071,235 was observed.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the value of Accounts Receivable balances as at 31 December 2015 was aggregating Rs. 58,526,720, out of that account balances aggregating Rs. 12,435,675 had been outstanding over 05 years and account balances that had been outstanding over 01 year to 05 years were Rs. 10,613,363

(b) Accounts Payable

While the total value of Accounts Payable balances as at the end of the year under review was Rs. 45,325,890, out of that, the value of account balances that had been outstanding over 01 year was Rs. 33,266,106.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs. 191,412,629 relating to 04 items of accounts could not be satisfactorily vouched/ examined in audit due to non-presenting of required information 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
(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	217 Register had not been maintained for All lands and buildings of the Sabha
(b) Public Administration Circular No. 41/90 dated on 10 October 1990	Though, the fuel consumption should be examined in each vehicles once in every 06 months, the fuel consumption of 07 vehicles had not been examined.

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 2015 amounted to Rs. 9,709,300 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,094,894. Accordingly, an improvement in a sum of Rs. 3,614,406 was observed in the deficit.

2.2 Analytical Financial Review

(a) Deficit to Operating Income.

The deficit of financial result of the year under review and the previous year as a percentage of the operating income, that percentage is shown an improvement.

(b) Comparison between Total Income and Total Expenditure

It was shown an increase in the percentage of total expenditure for total income during the year under review and the previous 02 years, thus indicating an unfavorable impact on financial control.

(c) **Increase in Deficit**

An increase of Rs. 3,614,406 was observed in overall deficit of the year under review as compared with the deficit of the previous year. Decrease in 03 revenue items from 12 per cent to 26 per cent and increase in 02 expenditure items from 20 per cent to 61 per cent in the year 2015 had been the main reason.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

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

Item of Revenue	Arrears as at 01.01.2015	Billings	Discount Given for year 2015	Receipt from Arrears for 2015	Receipt from Billings for 2015	Balance Arrears as at 31.12.2015
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	11,668,770	4,944,332	74,388	1,278,507	2,313,938	12,946,269
Lease Rent	271,316	1,168,080	--	209,984	946,762	282,650
License Fees	--	3,330,325	--	--	3,330,325	--
Other Revenue	2,148,369	39,733,581	--	15,120,176	8,048,307	18,713,467
Total						31,942,386
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It was observed that the arrears of revenue balance as at 31 December of the year under review was Rs. 31,942,386.

2.3.2 Rates and Taxes

Following matters were observed.

- (a) While there was an outstanding rates balance of Rs. 11,668,770 as at 01 January 2015, billings as at 31 December 2015 was Rs. 4,944,332. Out of them, recoveries as at 31 December 2015 were only Rs. 1,278,507 and Rs. 2,273,227 respectively. The revenue collection was in poor level, hence this was as a percentage of 11 per cent and 46 per cent.
- (b) According to the Audit test check carried out in the year under review, Accuracy of opening arrears balance, billing for the year and arrears shown in the account as at 31

December 2015 as Rs. 11,532,343, Rs. 4,930,332 and Rs. 12,795,843 respectively, could not be accepted due to significant financial malpractices revealed in rates recovery.

- (c) Rates register had not been maintained properly and recovery of rates could not be verified properly due to removing of most rates numbers from the computer erroneously

2.3.3 Lease Rent

While there was an outstanding lease rent balance of Rs. 271,316 as at 01 January 2015, and billings as at 31 December 2015 was Rs. 1,168,080. Out of them, recoveries as at 31 December 2015 were only Rs. 209,984 and Rs. 946,762 respectively. There was a balance of lease rent arrears amounting to Rs. 282,650 as at the end of the year under review, and actions had been taken to collect these amounts in terms of Section 159 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

2.3.4 Acreages Tax.

Acreage tax outstanding balance as at 01 January 2015 was Rs. 136,426 and billings as at 31 December 2015 was Rs. 14,000. Any amount had not been collected in the year 2015, and outstanding balance as at 31 December 2015 had been Rs. 150,426.

2.3.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 1,054,792 and Stamp Fees amounting to Rs. 29,054,424 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

3. Operating Review

3.1 Staff Administration

Twenty vacancies and 06 excess posts were in the Council as at 31 December 2015.

3.2 Apparent Malpractices

According to the Audit test check carried out on daily rates receipt and recovery of trade license fees of Pradeshiya Sabha, financial malpractice of Rs. 1,234,483 had been conducted with relating to the period from 2011 to 30 April 2015

3.3 Contract Administration

3.3.1 Construction of protection wall of fields Ellamaldeniya Daskara Road (Uwais Hajiya Mawatha)- Rs. 359,277

Following matters were observed in the physical inspection carried out in this regard on 21 March 2016.

- (a) Though, as per the estimate 6"x9" rubble should be used for the protection wall, the larger size of 20"x8", 14"x8" rubble had been used to construct the wall.
- (b) Though, the top of the protection wall should be constructed by using 1:5 cement sand mixture, the construction had been done with low graded cement mixture that could be easily breakable from hands.
- (c) Water weep holes could not be found on the constructed wall above the floor level.

3.3.2 Improvement of Road from Lunugama to Giragama Manikbowa- Rs. 500,000

Following matters were observed in the physical inspection carried out in this regard on 21 March 2016.

- (a) Though, 6"x9" rubble should be used for the protection wall, the larger size of 20"x8", 14"x8" rubble had been used to construct the wall.
- (b) As per the agreement, though the inside plaster and the protection wall should be constructed by using 1:5 cement sand mixture, inside plaster were in poor level that could be easily breakable due to using of lower grade mixture.

3.3.3 Improvement of Road from Urulawatta Patthini Dewalaya to Vangamuwa – Rs. 237,500

Following matters were observed in the physical inspection carried out in this regard on 21 March 2016.

- (a) Future survival was uncertain due to non-compliances of protection wall proposed to construct in two sites of the road.
- (b) Though, 6"x9" rubble should be used for the protection wall, the larger size rubble had been used to construct the wall.
- (c) As per the agreement, though the inside plaster should be constructed by using 1:5 cement sand mixture, inside plaster were in poor level that could be easily breakable.

3.4 Vehicle Control

Following matters were observed.

- (a) The signature of the officer who used the vehicle had not been made in running charts of 02 Sabha vehicles for 35 days and a sum of Rs. 37,501 had been spent for fuel of 3158 km travelling which had not been confirmed by the officer.

- (b) Though, name of the officer and details of travelling should be mention in daily running charts, a sum of Rs. 157,463 had been spent on travelling of 11738 km from 03 vehicles for the period from the month of May 2015 to September by mentioning the duty as per the instruction of the Secretary.
- (c) Though, the Emblem should be placed in all Government vehicle State Emblem or the name of the institute had not been placed in 04 vehicles registered and belong to the Sabha as per the Public Administration Circular No. 26/92/01 dated 03 August 1994

4. Good Governance and Accountability

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 46 per cent in 04 items of revenue and variations from 18 per cent to 61 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Annual Procurements Plan

An Annual Procurement Plan had not been prepared.

4.3 Internal Audit

Actions had not been taken to present internal audit reports to Auditor General.

4.4 Assets Management

Idle / Under-utilized Assets

- (a) Seven hundred thirty six Copies of the books printed during the year 2013 at a cost of Rs. 437,064 containing Udunuwara Ancestral Story had not been sold from above 02 years.
- (b) Motor Bike valued at Rs. 116,000 and Motor Vehicle valued at Rs. 1,525,000 belong to the Sabha had been kept idle without using for 03 years and 04 years respectively, actions had not been taken to dispose or used after the repair the Cab No. 252-6359 which was taken away from running.

4.5 Action Plan

An Action Plan had not been prepared for the year under review.

5. Systems and Controls

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

- (a) Internal Control
- (b) Accounting
- (c) Revenue Administration
- (d) Contract Administration
- (e) Creditors and Debtors Control
- (f) Vehicle Control