

## **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 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 07 September 2016.

#### **1.2 Qualified 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 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 accounting deficiencies are observed.

- (a) The value of the Stores Stocks Account of the year under review had been understated in a sum of Rs. 60,226.
- (b) Although a sum of Rs. 1,309,857 had been spent for establishment of the Revenue, Financial and Stocks Management software system that expenditure had not been capitalized.

(c) The Water Pump valued at Rs. 65,000 and the Ladder valued at Rs. 18,500 belong to the Sabha had been included in the Machinery and Equipment Account as well as in the account of Stocks balance of the Stores .

### **1.3.2 Non-reconciled Control Accounts**

-----  
Non-reconciliations in a sum of Rs.1,046,805 were observed between the balances in the financial statements and the balances in the relevant schedules relating to 04 items of accounts.

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

-----  
Following observations are made.

- (a) While the value of Accounts Receivable balances as at 31 December 2015 was Rs.40,617,812, out of that amount, a sum of Rs. 18,066,682 was outstanding to be recovered even as 07 July 2016, date of audit of the financial statements.
- (b) While the value of Accounts Payable balances as at 31 December 2015 was Rs.7,245,361, value of balances being brought forward more than 04 years amounted to Rs. 775,375.

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

-----  
Detailed schedules and age analysis relevant to 04 items of accounts totaling Rs.5,045,219 were not submitted to audit. Due to that; those items of accounts could not be satisfactorily examined in audit.

### **1.3.5 Non-compliance with Laws, Rules, Regulations etc..**

-----  
In terms of Section 154 (1)of the Pradeshiya Sabha Act No. 15 f 1987, 01 percent of the sale proceeds of lands should be recovered by the Pradeshiya Sabha. Although a sum of Rs.511,963 should have been recovered from land auction during the year under review; a sum of Rs. 61,220 only had been recovered.

## **2. Financial Review**

## 2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 had been Rs 14,716,017 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,475,444. After taking into account Capital Grants amounting Rs. 6,516,067 and Rs. 16,525,439 and capital expenditure amounting to Rs. 7,026,741 and Rs. 17,462,157 during the year under review and preceding year respectively, The surplus referred to above, had been Rs.14,205,343 and Rs. 5,538,726 respectively, indicating an improvement of the financial result for the year under review in a sum of Rs. 8,666,617.

## 2.2 Analytical Financial Review

(a) Actual revenue and expenditure relevant to the year under review and the preceding year and relevant variations are shown below.

Source of Revenue	Revenue			Expenditure Item	Expenditure		
	2015	2014	Variance		2015	2014	Variance
	Rs.000	Rs.000	Rs.000		Rs.000	Rs.000	Rs.000
(i) Generated Revenue	14,080	13,829	251	Personal Emoluments	38,807	29,314	9,493
(ii) Others	<u>53,118</u>	<u>35,350</u>	<u>17,568</u>	Others	52,482	42,903	9,579
Sub total	67,198	49,379	17,819	Sub total	<u>7,027</u>	<u>17,462</u>	<u>(10,435)</u>
(iii) Capital Grant	6,516	16,525	(10,009)	Capital Expenditure	59,509	60,365	836
Grand Total	73,714	65,904	7,810	Grand Total	14,205	5,539	8,666
Financial Result	14,716	6,476	1,493	Surplus			

(b) While the total Recurrent Revenue of the Sabha relevant to the year under review was Rs. 67,198,407, out of that a sum of Rs.53,117,935 or 79 per cent roughly was revenue not falling under a nature generated in the Sabha and were receipts such as Court fines, Stamp Fees and Salary Reimbursements. Similarly, the entire capital

revenue of Rs. 6,516,067, was consist of funds provided for development works in the area of authority of the Sabha through other institutions.

(c) Out of the total Recurrent Expenditure of Rs. 52,482,390, relevant to the year under review, a sum of Rs. 38,806,863 or 74 per cent roughly was expenditure for Personnel Emoluments.

(d) The entire capital expenditure of Rs. 7,026,740, was consist of development activities on the basis provisions of other institutions such as sources from Pradeshiya Sabha strengthening and provincial Investments.

## 2.3 Revenue Administration

### 2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information submitted relevant to the Estimated Revenue Actual Revenue and Arrears of Revenue relevant to the year under review as compared with the preceding year are shown below.

Item of Revenue	2015			2014		
	Estimated	Actual	Accumulated Arrears as at 31 December	Estimated	Actual	Accumulated Arrears as at 31 December
						000
(a) Rates and Taxes	000	000	000	000	000	6,023
	1,586	1,943	357	1,272	1,813	
(b) Lease Rent			1,616			129
(c) License Fees	9,925	8,309	85	10,000	8,431	--
(d) Other Revenue	606	691	4,866	1,090	642	19,998
	51,389	56,255	-----	46,932	38,490	-----
	-----	-----	6,924	-----	-----	26,150
	63,506	67,198	=====	59,294	49,376	=====
	=====	=====		=====	=====	

### 2.3.2 Revenue Collected out of Revenue Billed

Information as furnished relating to Revenue Billing, Revenue Collection and Arrears  
of Revenue relevant to the year under review are shown below.

Revenue and	Arrears as at 01.01.2015	Billings during the year	Total	Collection of Revenue		Amount Received for Ensuing year	Total	Arrears of Revenue		Arrears as at 31.12.2015 (total)
				Collection From arrears	Collection From billing			Out of Arrears as at 01.01.2015	Out of Revenue Billed	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
es	260,631	763,380	1,024,011	97,865	692,299	93,315	883,79			
age Tax	342,699	42,595	385,294	19,804	7,629	4,272	31,705	162,766	71,081	233,847
se Rent	112,555	1,998,194	2,110,749	--	1,290,296	8,850	1,299,146	322,894	34,966	357,860
ls Rent	177,400	421,800	599,200	6,400	412,400	--	418,800	112,555	707,898	820,453
mp Fees	21,044,863	8,000,000	29,044,863	3,190,991	--	--	3,190,991	171,000	9,400	180,400
rts Fines	2,106,627	4,054,484	6,161,111	2,106,627	153,834	--	2,260,461	17,853,872	8,000,000	25,853,872
nse Fees	---	320,850	320,850	--	320,850	--	320,850	--	3,900,650	3,900,650
er	134,029	134,390	268,419	118,184	104,565	330	223,079	--	--	--
rges	---	11,490,621	11,490,621	--	11,490,621	--	11,490,621	15,845	29,825	45,670
ers	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	24,178,804	27,226,314	51,405,118	5,539,871	14,472,494	106,767	20,119,132	-----	-----	-----
al	=====	=====	=====	=====	=====	=====	=====	18,638,932	12,753,820	31,392,752
								=====	=====	=====

- (a) While there was a balance of Rates in arrears amounting to Rs. 260,631 for the year 2014, out of that only a sum of Rs. 97,865 or 37 percent of Rates in arrears only had been recovered during the year under review.
- (b) While there was a balance of Acreage Tax in arrears amounting to Rs. 32,699 for the year 2014, out of that only a sum of Rs. 19,804 or 06 percent of the Acreage Tax in arrears only had been recovered during the year under review.
- (c) While there was a balance of Lease Rent in arrears amounting to Rs. 112,555 for the year 2014, out of that any amount out of that had not been recovered during the year under review.
- (d) While there was a balance of Stalls Rent in arrears amounting to Rs. 177,400 for the year 2014, out of that only a sum of Rs. 6,400 or 04 percent of the Stalls Rent in arrears had been recovered during the year under review.

### 2.3.3 Lease Rent

-----

(a) A loss had occurred to the Sabha as it had not been able to lease out 18 assets of which minimum bid had been Rs. 454,020 for the year 2015.

(b) Lease Rent had not been paid by the legal lessee from January 2012 onwards, as Trade Stall No. 01 in Dummalasooriya Public Market which had been given on lease through a proper agreement on 24 August 2011, as it had been occupied by another individual without permission from January 2012 onwards. It was revealed that, the person who got the lease during the year 2001 had transferred the stall through a deed of lease to another person and that had been the cause for the unauthorized occupation. This dispute had arisen due to entering into rent agreement, without settlement being made with regard to sub leasing. Accordingly the value of the lease money to be recovered as at 03 May 2016 had amounted to Rs. 212,850.

#### **2.3.4 Court Fines and Stamp Fee**

-----

While the Court Fines Receivable from the Chief Secretary as at the end of the year under review was Rs. 3,900,650, Stamp Fees Receivable had been Rs. 25,853,872. Balances receivable as at 31 March 2016 had been Rs. 3,716,982 and Rs. 13,500,000 respectively,

#### **2.3.5 Telephone Transmission Tower Charges**

-----

While it had been identified that 09 Telephone Transmission Towers have been erected in the area of authority of the Sabha, Development Permits had not been obtained for these towers afar paying relevant charges. Annual Trade License Fees too had not been recovered according to the Establishments which had obtained communication facilities through these towers.

#### **2.3.6 One Percent Tax recovered from Sale of Lands after Allotments.**

-----

Out of the minimum Tax Revenue recoverable from sale of Maha Luxamie Estate Land and Ambagahamula Hena Land in extent of 02 acres after allotments, a sum of Rs. 150,534 had been underrecovered as Rs. 65,250 and Rs.85,284 respectively.

### **03. Operating Review**

#### **3.1 Management Inefficiencies**

Following observations are made.

- (a) Out of the surcharge of Rs. 156,791 imposed on the Sabha for the delay in payment of contribution payable to the Employees Provident Fund on behalf of the employees served in the Sabha, while a sum of Rs. 69,000 had been recovered from the relevant officer, balance recoverable further had been Rs. 87,791.
- (b) While a surcharge of Rs. 22,469 had been imposed on the Sabha by the Fund for the delay in payment of contributions to the Employees Trust Fund, a sum of Rs. 5,000 had been recovered from the officers responsible.
- (c) The Multi Purpose Building with 03 floors constructed through Pura Neguma provisions and handed over to the Sabha on 11 September 2015 remained idle even as at 01 July 2016, date of audit. Although instructions had been received to utilize this building for public activities such as a Day Care Centre, an Ayurvedic Centre or a Clinic Centre, it had not been utilized for such public activities.
- (d) The Van bearing No. PB-4861 had been parked idle, without being repaired during more than a period of one year even since February 2015 upto 01 July 2016, date of audit.
- (e) Although the JCB Machine bearing No. RS-1220 belongs to the Sabha had been referred to a private establishment in Veliweriya for repairs on 07 December 2015, it had not been repaired even up to 01 July 2016, date of audit.

- (f) The Block Stones Production Project commenced during the year 2011 having spent a sum of Rs. 1,004,062 had been failed to get an adequate benefit since the year 2012. While a sum of Rs. 52,448 had been spent during the year 2015 for the purchase of material, only 573 Block stones had been made.
- (g) Agreements had been signed with a Computer Software Supply Institution for a sum of Rs. 850,000 on 20 August 2012 to introduce a Revenue, Financial and Stocks Management Software system for the Sabha and a sum of Rs. 412,778 had been paid as part of the agreed sum to the relevant institution. Although it had been mentioned according to the agreement that free service facilities would be provided only for one year, the date of termination of the agreement had not been mentioned. Although a sum of Rs. 1,241,838 had been spent for computer net works, purchase of server machine, Computers and UPS Machine in addition to Rs. 850,000 relevant to software system referred to above, the relevant program was not in operational level even up to 01 July 2016, date of audit.
- (h) At the physical inspection of stores carried out on 12 November 2015, it was observed that the materials to be issued for use and un-serviceable items in the stores had not been properly stored. The water flow of the Sabha Ground had been towards the stores side and there were possibilities of flowing water into the stores. Ten Mobile Booths received as a donation from the Ministry of Local Government on 07 July 2013 too had been remained idle since January 2015.
- (i) While 117 Flag Posts received from the Bingiriya Pradeshiya Sabha on 28 November 2014 and distributed among the Pradeshiya Sabha Members had not been returned back to the Sabha, those Flag Posts had not been recorded in the registers of the Pradeshiya Sabha.



### 3.2 Human Resources Management

#### Approved and Actual Cadre

Information relating to the approved and actual cadre of the Sabha is given below as at 31 December 2015.

<b>Grade of Employees</b>	<b>Approved</b>	<b>Actual</b>	<b>Vacancies</b>	<b>Surplus</b>
Executive	02	02	--	--
Secondary	39	31	10	02
Preliminary	50	54	05	09
Others (Skilled)	--	03	--	03
	---	---	---	---
	91	90	15	14
	====	====	====	====

### 04. Accountability and Good Governance

#### 4.1 Internal Audit

An adequate Internal Audit had not been conducted in the establishment.

### 5. Systems and Controls

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

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