

**Udawalatha Pradeshiya Sabha**  
**Kandy District**  
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01. Financial Statements  
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1.1. Presentation of Financial Statements  
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Financial statements of the year under review had been presented for audit 29 March 2017 and the financial statements for the preceding year had been presented for audit on 06 April 2016

1.2. Qualified Opinion  
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I am of opinion that, except the effect on the financial statements of the matters referred in paragraph 1.3 on this report, the financial statements had been prepared accounting principles and give a true and fair view of the state of affairs of the Udawalatha Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

1.3. Comments on Financial Statements  
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1.3.1 Accounting Deficiencies  
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The following matters are observed.

(a) A double cab no.PF-7352 with the value of Rs. 6,390,000 that had gotten to the Sabha by the Ministry of Provincial Council and Local Government, and 02 motor bicycles no. MO-4991 and no. MM-9754 that had not taken over the ownership had not been revealed by accounting notes.

(b) A trailer with a value of Rs.150, 000 had not been accounted.

1.3.2 Non- Reconciled Control Accounts  
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When comparing the balances of 02 accounts, according the Financial Statements with the subsidiary documents, it had revealed a mismatch of Rs.97,434,636.

1.3.3. Accounts Receivable and Payable  
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(a) Accounts Receivable  
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While the total of 07 balances of accounts receivable as at 31 December 2016 amounted to Rs.15,814,754, a balance that had elapsed more than 05 years, amounting to Rs.4,418,928 had been included therein.

(b) Accounts Payable

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While the total balance of 02 accounts payable as at 31 December 2016 amounted to Rs.13,224,363 a balance that had elapsed more than 05 years, amounting to Rs.956,809 had been included therein.

1.3.4 Lack of Documentary Evidence for the Audit

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Transaction totalling Rs.23,497,881 relevant to 02 items of accounts could not be satisfactorily vouched in audit due to non-submission of required information to the audit.

1.3.5 Non compliance with Laws, Rules and Regulations

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Following instances of non-compliance with laws, rules and regulations were observed during the audit.

Reference to the laws, rules and regulations

Non compliance

(a) Pradeshiya Sabha Act No.15 of 1987

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Section 49(a)

Despite the construction of a building within 25 meters limits from the core of road of Pradeshiya Sabha is not legal, a building plan that existed on a building application of a person who was a resident at beside to the Pussallawa sub office had been approved. Further, it was observed that the building was constructed bordered to the road (not less than 02 feet from the boundary) on the site inspection.

(b) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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FR 571(3)

Actions had not been taken related to the 126 past deposits worth Rs.3,293,691 that pertained to the period from 2011 to 2015.

(c) Establish Codes of the Democratic Socialist Republic of Sri Lanka

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Chapter xix, 7.1 section

If an officer in the public service is living in a government house at the time of his retirement, although the house should be taken over after his retirement, it had not been taken over by three retired officers engaged in housekeeping.

(d) Gazette Notification

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Gazette notification no 935/6 dated  
06 August 1996 of the Democratic  
Socialist Republic of Sri Lanka

Thirteen blocks of land valued at Rs.27, 805,000 allocated to the Sabha for common amenities within the period from the year 1999 to the year 2012 remained idle without being utilized for common amenities of the people living in the sub-divisions by preparing the boundary fences even by the last date of the year under review.

(e)Circulars

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(i) Section 2 of the Public  
Administrations circular no, 15/2001  
dated on 07 August 2001

A time machine had not been used until 31 December 2016 in the Pradeshiya Sabha that served 47 officers and employees.

(ii) Section 10 of the circular of  
Commissioner of Local Government  
no. 2016/3 dated 17 march 2016

Although the lease agreement should be cancelled when subleased at the time of fully prohibited to sublease the stalls it had been observed at the field visit test that committed on 19 January 2017 that 01 stalls in common market and 05 stalls in ground floor of weekly fair had subleased.

2. Financial Review

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2.1 Financial Results

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According to the financial statement presented, excess of revenue over recurrent expenditures of the Sabha for the year ended 31 December 2016 amounted to Rs.38,088,171, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.29,594,136. When compared with the preceding year, an increase of Rs.8,494,035 was observed in the financial results for the year under review.

2.2 Revenue Administration

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2.2.1 Rates

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The following matters are observed.

(a) While the balance of arrears rates amounted Rs. 2,250,053 as at 01 January 2016, the billed amount was Rs. 1,369,808 in the year 2016. Only the sum of Rs. 597,887 and Rs. 816,862 had been recovered thereof respectively. This was a percentage of 27 percent and 60 percent. The balance of rates in arrears was amounted to Rs. 2,205,112 as at the last day of the year under review. Accordingly, the collection of revenue in arrears was remained a level of weak.

- (b) A balance of rates in arrears of Rs.110, 991 that had receivable from 23 government entities from a period of 02 years had been remained receivables at the last day of the year under review.
- (c) A sum of Rs.1, 443,378 that had remained receivable from the persons who was defaulted the paying rates during the period of 6 years was included within the balance of rates in arrears as at 31 December 2016. In this regard, action was not taken as per section 158 of the Pradeshiya Sabha act.
- (d) Although the rates should be recovered after making a new assessment once in 05 years, the rates had been billed for the year 2016 basis of old assessment without making a new assessment after the year 2005.

### 2.2.2. Lease Rent

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The following matters are observed.

#### (a) Land Tax

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Actions had not been taken to recover a balance of Rs.24, 048 that was remained receivable from more than the period of 05 years within the arrears balance of land tax as at 31 December 2016.

#### (b) Shop Rent in Arrears

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The following matters are observed.

- (i) Any actions had not been taken to recognize and recover a sum of shop rent in arrears of Rs.386,658 which was received from 63 stall owners from before the year 2012, and the arrears rental of Rs.39,837 of Doluwa weekly fair and Doluwa common market that coming down from the year 2010.
- (ii) According to the section 5 of the lease agreement about leas out the Doluwa stalls, although there was stated that the rental agreement will nullify if the monthly rental fee delayed for 03 months, A receivable rental of Rs.25, 200 from 07 stalls had been remained receivable during the period of 03 to 10 months.
- (iii) While the twenty stalls of ground floor and upstairs of the Doluwa weekly fair had been given to the outside external parties on the basis of lease without making tenders and 02 stalls of the common market that had maintained in the town of Paradeka had been leased without tendering.

### 2.2.3 Other Income

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#### Water Charges

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The following matters are observed.

- (a) While the fixed amount of Rs.75 had been charged monthly from one domestic unit in the supplying of water from natural sources, the arrears of water chargers was amounted to Rs.1,973,728 as at 31 December 2016. Within this arrears amount, a

sum of Rs.847,667 was included that related to inactive water sources in the areas of Dalpitiya and Doluwa.

- (b) Actions had not been taken to recover the arrears water charges of Rs.82,145 that descending from the year 2005 in the area of the authority of Pussallawa.

#### 2.2.4 Court Fines of Stamp Fee

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Court Fines of Rs.2, 855,597 and stamp fees of Rs.20, 556,558 were remained receivable as at 31 December 2016 from Chief Secretary of the Provincial Council and Other Authorities.

### 3. Operating Review

#### 3.1 Performance

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The following matters are observed.

- (a) While the 08 proposals of development worth of Rs.1, 042,000 that had planned to carry out in the year under review under the Sabha fund, had been presented to the Commissioner of Local Government for the approval after 07 months from year started, that is on 18 August 2016, and the same 08 proposals had been sent after the ratification by the minister. The works of 03 construction works thereof had completed and the works of remain 05 construction works could not be completed until 31 December 2016. So it had unable to full fill development affairs that should be accomplished in the area of authority of the Sabha adequately.
- (b) Although a percentage of more than 30 percent from auto proceed revenue related to the each year should be utilized on the development affairs, in aspect of full filling the objectives of the act, Even a recurrent revenue of Rs.77,989,801 had been earned at the last day of the year under review it was deployed only a sum of Rs.1,657,283 thereof on the development affairs as much as lower percentage as 02 percent.
- (c) Although it had stated increase of the succession,welfare and common utility services of the peoples who living the area of authority of the Sabha is main function of the Sabha according to the section 03 of Pradeshiya Sabha Act no.15 of 1987 a sum of Rs.80,000 and a sum of Rs.30,000 that had allocated respectively for the human development programmes and for the establish human base organizations from the budget, it had been utilized only a sum of Rs.1,525 from the total allocation of Rs.110,000.

#### 3.2 Management Inefficiencies

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The following matters are observed.

- (a) The valuable assets of Rs.250,402,460 that recognized at the assets survey that committed on the year 2014, were not included on the fixed asset register until 31 December 2016.
- (b)Even though it had been mentioned that 04 lands valued at Rs.67,000 noted in the Assets Register of the sabha remained unrecognizable ,reasons relating thereto had not been explained.

- (C) Although it had been recognized 39 assets should be included to the fixed assets register newly, at the assets survey committed in the year 2014, actions had not been taken to include these assets on to the related register.
- (d) Actions had not been taken to take over the possession of 07 lands with buildings worth of Rs.14, 300,000 that used as property by the Pradeshiya Sabha.
- (e) There were 26 vacancies in various designations and 02 surpluses in the Sabha as at 31 December 2016.
- (f) Actions had not been taken to acquire the ownership of 53 cemetery lands and 3 play grounds belonging to the Sabha.
- (g) The loan balance of Rs.794,835 that was due from the 06 officers who were transferred on 1 January of the year under review had not been settled until 31 December of the year under review.

### 3.3 Operational Inefficiencies

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The following matters are observed.

- (a) While 621 buildings on applications had been approved during the period from 2012 to 2015, compliance certificates have been issued only for 25 hence it remained level of poor as 4 percent.
- (b) While the 13 stalls that were built on upstairs of the Doluwa Common Market in the year 2002, had not been prepared as possible to use, and had been allowed to be destroyed without making maintenance since the year that constructed unit 31 December 2016. Also it could not be excluded the spaces to use this place for various acts of abuse.
- (c) Although it had been stated that the councils should be the public health authority in terms of article 78(1) of the Pradeshiya Sabha Act No.15 of 1987, it was revealed that the 21 water supply scheme of 02 units in Delpitiya and Doluwa that owned to the Sabha had provided water to the public without purification.
- (d) A sum Rs.1, 257,785 that received for the program of strengthening the Pradeshiya Sabha on 11 September and 30 December of the year 2015 had been retained in the deposit account without allocating funds for the relevant projects.

### 3.4 Idle/Underutilized Assets

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The following matters are observed.

- (a) A valuable hand tractor of Rs.102, 999 and a Cab that could not be identified the value had been underutilized and was idle during the period of 01 to 24 years.
- (b) Although 616 galvanized pipes worth of Rs.596, 990 were provided by the ministry of Provincial Council and Local Government on 16 December 2014, to establish the works units of each councils it had been cluttered as idle at the Pussallawa town hall.

3.5 Identified Losses

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It had been observed that a shortage of 39 galvanized pipes worth of Rs. 37,796 on the physical test.

3.6 Solid Waste Management

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While the 3 ½ of waste tones nearly collected daily from 08 locations by the Sabha as the levels of city and regional, except the waste of the areas of Pussallawa and Para Deka regions, the 12 waste tons, nearly collected weekly from the areas of Mawathura, Doluwa, Ilangawaththa, Egodakalugamuwa, Pupuressa, Panwilathenna had been excluded desultorily without management. Also hence of the waste of the city of Pusallawa had removed near the town hall, the area was polluted and disgraceful.

4 Accountability and Good Governance

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4.1 Budgetary Control

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According to the budget that had made for the year under review, when comparing estimated revenue and expenditure with the actual revenue and expenditure, it had observed deviation of 02 items of revenue from 69 percent to over 90 percent and of 09 items of expenditure from 25 percent to 87 percent. Accordingly, it was observed that, the budget had not been made use of as an effective tool of management.

4.2 Annual Procurement Plan

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It had not been prepared a Procurement plan for the year under review.

4.3 Internal Audit

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Although the copies of internal audit report should send to the Auditor General in terms of Financial Regulation 134 (3), it had not been sent to internal audit reports that related to the year under review to the audit.

05 Systems and Controls

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

- a) Contract System
- b) Revenue Administration
- c) Assets Management
- d) Debtors and Creditors