

Udunuwara Pradeshiya Sabha
Kandy District

1 Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year under review had been presented for audit 08 May 2017 and the financial statements for the preceding year had been presented for audit on 31 March 2016.

1.2 The Adverse Opinion

I am of the opinion that, hence the significance of the matters discussed in the paragraphs 1.3 and 2.2.2 on this report, financial statements had not been prepared in accordance with generally accepted accounting principles and do not give a true and fair view of the state of affairs of the Udunuwara Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following issues are observed.

- (a) Hence the total liabilities was amounted to Rs.354,779,094 and the total of assets was amounted to Rs.354,835,659 on the balance sheet that had made as at 31 December 2016,it had been unbalanced by an amount of Rs. 56,565.
- (b) Despite it had accounted the 04 vehicles worth of Rs.35,782,296 that had received as donations in the year 2015, hence the value accounting again also in the year under review, the accounts of the fixed assets and contribution by revenue had been overstated by a sum of Rs.35,782,296.
- (c) Although machine and machine equipments worth of Rs.21, 500 had purchased in the year under review, it had stated as purchases of Rs.3,689,150 of the year on the account of machine and machine equipments.
- (d) Although the billed amount of stamp fees relating to the year under review was Rs.50, 753,750, hence the value accounted as Rs.21, 916,222, the revenue of stamp fee of the year under review had been understated by Rs.28,837,528.
- (e) A balance of the water deposit amount of Rs.167, 349 that had coming down from number of years had not been shown in the financial statements of the year under review.
- (f) The receivable interest amount of Rs.1,778,346 at the last day of the year under review that related to 06 fixed deposits had not been taken to the accounts.

- (g) A hand holding money amount of Rs.991,200 that related to 31 industries that carried out under external allowances in the year under review and in the years 2014 and 2015 had been accounted under creditors.
- (h) Although a sum of Rs.200,000 had paid to the contractor for developing the channel system of the Kiriwaula Galanga road on 30 December 2016; the money amount had been presented under the industrial creditors at 31 December 2016.
- (i) Although the interest amount related to the year under review was Rs.237,878 for a fixed deposit of Rs. 2,500,000, hence it had taken in to the accounts as Rs.875,000 it was over stated by Rs.637,622.
- (j) Although the electric equipments worth of Rs.120,305 had issued, hence it stated as Rs.10,982, it had been understated by Rs.109,323 on the accounts.
- (k) 48 items of lands and buildings worth of Rs.783,350 had not been taken to the accounts.
- (l) The library books worth of Rs.62,619 that had identified to destroy in the good survey related to the year under review, had removed from value of library books without destroying.
- (m) Although the electric equipment value of Rs.114,000 that had purchased in the year under review should be debited to the electrical stores account according the method of store advance accounting, the total expenditure had been debited to vote ledger. An amount of Rs.11,400 that irrelevant for any purchase or release and was lost for clarified had been debited to electric store accounts and credited on vote.
- (n) Actions had not been taken to accounting the values of 251 tubes wells and their lands by identifying.
- (o) Although the billed court fines amount was Rs. 1,288,982 in the year under review, hence it had accounted as Rs.821, 819, it was understated by Rs.407,163
- (p) An amount of Rs. 14,000 had been accounted as an acreage tax on a basis of assumption without identifying clearly the acreage tax amount should be collected.
- (q) Although the revenue balance of 05 items was Rs.53,097,516 according to the ledger, hence then total of those items had stated as Rs.76,170,529 on the financial statements, the revenue had overstated by Rs.23,073,013.

1.3.2 Non- Reconciled Control Accounts

 A mismatch of Rs.50,598,729 of 14 items of accounts had revealed when comparing the subsidiary documents with the financial statements.

1.3.3 Suspense Account

Although a suspense account balance of Rs.16,667,314 had remained on the date 31 December in the year under review, actions had not been taken to correct the matters that were caused for the balance.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 06 receivable accounts was Rs.54,356,920 as at 31 December 2016 according to the financial statements, a time analysis had not been presented for that arrears account balances.

(b) Accounts Payable

While the balance of 02 payable accounts was Rs.36,149,310 as at 31 December 2016 according to the financial statements, a time analysis for that account balances had not been presented.

1.3.5 Lack of Documentary Evidence for the Audit

Transactions totalling Rs.85,890,558 relevant to 06 items of accounts could not be satisfactorily vouched in audit due to non submission of required information to audit.

1.3.6 Non Compliance with Laws, Rules and Regulations

According to the FR 571(3) of Democratic Socialist Republic Sri Lanka, Actions had not been taken to a settlement or take to the revenue, a contractual bond amount of Rs.330,273 that had got in 158 times during the period of 1989 to 2014 and a tender bond amount of Rs.158, 900 that had got 76 times during the period of year 1992 to 2014.

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 2016 amounted to Rs.57,207,972 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.9,709,300. When compared with the preceding year, an increase of Rs.47,498,672 was shown in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

A balance of Rs.55,798,466 remained as arrears at 31 December of the year under review from the revenue items such as rates, lease rent, license fee and other income. A mismatch of Rs.17,681,282 revealed when comparing the arrears revenue analysis that had given to the same date, with the arrears revenue descriptions that had stated in the financial statements. Also the balances could not be vouched in satisfactorily due to non-preparation of revenue documents with updates.

2.2.2 Rates

The following matters are observed.

- (a) Actions had not been taken to recover a balance of the arrears rate amount of Rs.479,688 that remained as arrears during the period of more than 10 years from 17 government entities.
- (b) While a financial irregularity of Rs.1,023,556 had revealed when collecting the rates during the period from the year 2011 to 2015, the matters that related to that financial irregularity were disclosing moreover. Hence the basic and final experiments here to had not been completed, could not be content about the accuracy of the arrears rates balance of Rs. 14,319,281 that had mentioned on the financial statements as at last day of the year under review.

2.2.3 Lease Rent

The following matters are observed.

- (a) Although the lease agreements of stalls should be renewed once for 05 years, according to the circular no.2016/3 of commissioner of Local Government dated on 17 March 2016, long term leaseholds had been signed for 99 years for 09 stalls that situated in Daulagala market.
- (b) Although 3 years had pasted until December 2016 for the agreements that had entered for a period of one year in the year 2012 relating to 17 stalls in Gelioya common market, actions had not been taken to enter to new agreements.

2.2.4 Court Fines and Stamp Fees

A sum of Rs.1,160,551 on account of court fines and a sum of Rs.21,916,222 on account of stamp fees were due to be recovered as at 31 December 2016, from the Chief Secretary of the Provincial Council and other authorities.

3 Operating Review

3.1 Performance

The Following matters are observed.

- (a) Although 146 constructions works worth of Rs.40,350,000 that had planned to carry out during the year under review according to the four years plan that had made as covering the years from 2016 to 2019, that construction works had not been carried out in the year under review.
- (b) Although a sum of Rs.57,207,972 had earned as recurrent revenue as at the last day of the year under review, it had been deployed only a sum of Rs.2,308,747 as a less percentage as 04 percent. And an allowance amount of Rs. 46,000,000 had been invested on fixed deposit without utilizing on the development affairs.
- (c) An allowance amount of Rs.2,000,000 that had allocated from the Sabha fund under the vote 304-5 according the request of people who paying taxes, had not been utilized until the last day of the year under review.
- (d) An allowance amount of Rs.1,500,000 that had allocated for maintenance of the channel system ,road and pavements towards accomplished the objectives and functions of article 22 of Pradeshiya Sabha Act No.15 of 1987, had not been utilized for accomplish that objectives.

3.2 Management Inefficiencies

The following matters are observed

- (a) There were 12 vacancies and 4 surpluses remained within the approved work force of the Sabha as at the last day of the year under review.
- (b) It had not been maintained properly the documents for employee loan, acreage taxes, fixed assets, creditors of common service, stamp fees, court fines, rates, stall rental, tender deposits, votes and documents for Pradeshiya Sabha.
- (c) Actions had not been taken to rectify the defects that indicated by the Auditor General's report of the year 2015.
- (d) Although the loan had conveyed after contractualization with the contractors for 32 constructions works worth of Rs.3,687,616 that had proposed to carry out through the Sabha funds within the time period of year 2012 to 2014, without taking actions for carrying out those constructions works until end of the year under review, the loan amount had written off from the creditors of the year under review without clarification or approval.
- (e) A hand holding money amount of Rs.1,032,032 that related to 45 constructions works during the time period of year 2012 to 2014 had been taken into the revenue without any enquiring or searching.

3.3 Operational Inefficiencies

Following matters are observed.

- (a) The works of 59 subdividing applications out of 310 that had presented to the Sabha in the year 2015 had not been completed until the last day of the year under review.
- (b) Actions had not been taken regarding the 144 library books worth of Rs.1, 626 that had missed placed of the Alpitikanda public library and a shortage of 58 library books worth of Rs.6, 388 of Alapalawala library.

3.4 Transactions of Contentious Nature

Following matters are observed.

- (a) An amount of Rs.270,250 had been paid as committee allowances for the planning committee meetings that hold on office time, taking actions exterior for the instructions of section 01 of the letter of 05/01/119 of volume ix of Director General of Urban Development Authority date on 26 February 1992.
- (b) An amount of Rs.27,000 had paid as committee allowances for the six officers who didn't participate for the committee meetings that hold in office time, as stating that they had participated.

3.5 Idle/ Underutilized Assets

03 vehicles worth of Rs.1,069,000, a vehicle with unrecognized value and 02 inventory items worth of Rs.62,200 had been vain and underutilized during the period of 05 years.

3.6 Apparent Irregularities

A financial irregularity of Rs.1,114,375 that were revealed when collecting the rates and license fee within the time period from 2011 to 2015 had not been disclosed in the financial statements of the year under review.

3.7 Contracts Administration

An estimated amount of Rs.921, 980 had been received from the Sri Lanka National Research and Development Centre in according to the request done as perform the maintenance of the chimney of Koshinna crematorium, hence it was disabled and tumble down fast. But without assigning the construction to that institute it had assigned the maintenance at a price of Rs. 825,000 on 10 November 2015 and an amount of Rs. 738,169 had been paid to Udaya Cotruction who hadn't skills about it without entering to an agreement or following formal tender procedure according to the rule 177 and 178 Pradeshiya Sabha (financial and administrative) Rules of 1988.The Crematorium again remained inoperative 04 months after the repair.

4 Accountability and Good Governance

4.1 Budgetary Controls

- (a) According to the budget that had made for the year under review, when comparing the estimated and actual revenue and expenditures, it was observed variations in a range from 15 percent to 62 percent of the 04 items of revenue and 19 percent to 97 percent of the 06 items of expenditures. Accordingly the budget had not been made use of as an effective tool of management
- (b) Out of allowances of Rs.31,552,000 that had allocated for the construction of roads, lands and buildings of the Sabha under the project 03, vote 304 it had been utilized only a sum of Rs.218,231 until the last date of the year under review.

4.2 Annual Procurement Plan

Although an amount of Rs.46,106,431 spent on capital expenditure by the Sabha it had not made a procurement plan for the year under review.

5 Systems and Controls

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

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