

Uva-Paranagama Pradeshiya Sabha  
Badulla District

1. **Financial Statements**  
-----

1.1 **Presentation of Financial Statements**  
-----

Financial statements for the year 2016 had been submitted to audit on 30 March 2017 while the financial statements relating to the preceding year had been submitted on 28 March 2016. The report of the Auditor General relating to the year 2016 was issued to the Secretary of the Sabha on 31 July 2017.

1.2 **Qualified opinion**  
-----

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Uva-Paranagama Pradeshiya Sabha as at 31 December 2016 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**  
-----

The following accounting deficiencies were observed in audit.

- (a) The value of JCB machine had been understated by Rs.954,179 in the financial statements for the year under review.
- (b) Motor vehicles and carts account had been overstated by Rs. 4,394,000.
- (c) Although a hand tractor valued at Rs.104,990 was accounted, the existence of such vehicle had not been get confirmed at the physical verification.
- (d) A cab vehicle valued at Rs.1,400,000 had not been included in the accounts.
- (e) A credit balance of Rs.312,282 had been shown in the suspense account.
- (f) Closing stock and opening stock of rubbles had been overstated in the accounts by Rs.5,293,786 and Rs.232,168 respectively.
- (g) A land purchased to the value of Rs. 9,281,250 had not been capitalized.
- (h) The interest income on fixed deposits had been understated by Rs.52,609 in the financial statements for the year under review.
- (i) Contributions for pension of the Local Government for the year under review had been understated by Rs.30,570 in the accounts.

- (j) Court fines for the year under review had been overstated by Rs.1,800,000 in the financial statements.
- (k) The arrears of court fines for the year under review had been understated by Rs.1,664,393 in the financial statements.
- (l) The income of stamps duty for the year under review had been overstated by Rs.797,958.

### 1.3.2 **Un-reconciled Control Accounts**

-----

A difference of Rs.34,961,413 was revealed between the balances of accounts shown in the financial statements presented by the Sabha and the corresponding balances shown in the relevant schedules.

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

-----

According to financial statements presented by Sabha , the value of accounts receivable as at 31 December of the year under review was Rs.23,237,108 while the value of accounts payable balances as at that date was Rs.15,768,602.

### 1.3.4 **Non-compliance with Laws, Rules and Regulations**

-----

An advance payment amounting to Rs.374,772 had not been settled as at 31 December 2016 in terms of Financial Regulation 371.

## 2. **Financial Review**

-----

### 2.1 **Financial Results**

-----

According to the financial statements presented, the excess income over recurrent expenditure of the Sabha for the year ended 31 December 2016 was amounted to Rs.8,889,001 while the excess income over recurrent expenditure for the preceding year was amounted to Rs.10,882,900.

### 2.2 **Revenue Administration**

-----

#### 2.2.1 **Performance of Revenue Collection**

-----

- (a) The outstanding income to be receivable as at 31 December 2015 relating to previous year was Rs. 2,133,645.
- (b) Adequate actions had not been taken since 2012 by the Shaba to increase the prevailing income.

#### 2.2.2 **Lease Rental**

-----

A sum of Rs. 124,000 recovered as lease rental during the years 2015 and 2016 had been retained in the deposit accounts.

### 2.2.3 Other Income

-----

An amount of Rs. 131,000 to be recoverable from a private party on using the backo machine had not been recovered.

### 2.2.4 Courts Fines and Stamp Duties

-----

Courts Fines and Stamp Duty receivable from the Provincial Council and authorized persons as at 31 December 2016 was Rs. 10,929,014.

## 3. Operating Review

-----

### Contract Administration

-----

#### Renovation of Building of Uva- Paranagama Pradeshiy Sabha

-----

The following deficiencies were observed in construction of building of the Uva- Paranagama Pradeshiya Sabha

- (a) Tendering, preparation of estimate, payments for bills and valuation of works etc. had not been carried out.
- (b) Tenders had not been called in respect of constructions worth Rs.7,424,009.
- (c) The bills for computation with regard to the payment of Rs.2,330,656 made for construction works had not been submitted to audit.
- (d) Construction works of the building had not been completed even as at the end of the year under review.

## 4. Good Governance and Accountability

-----

### 4.1 Budgetary Control

-----

The budget had not been made use of an effective instrument in controlling the income and expenditure of the year under review.

### 4.2 Annual Procurement Plan

-----

An Annual Procurement Plan had not been implemented during the year under review.

### 4.3 Internal Audit

-----

An internal audit had not been carried out for the year 2016.

4.4 **Implementation of Audit and Management Committee**

-----  
Audit and Management Committees had not been conducted during the year under review.

5. **Systems and Controls**

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

- (a) Fixed Assets
- (b) Stock Control
- (c) Accounting
- (d) Contract Administration