

Udapalatha 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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 10 August 2015.

1.2 Opinion

In my opinion financial statements give a true and fair view of the financial position of the Udapalatha Pradeshiya Sabha as at 31 December 2014 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 matters are observed.

- (a) Provision for Creditors had not been made with regard to expenses amounting to Rs.49,475 relevant to the year under review paid during the year 2015.
- (b) Lawyers Fees and Vehicle Repairs expenditure totaling Rs.560,232 relevant to the preceding year paid during the year under review had been accounted as expenditure of the year under review.
- (c) Sum of Rs.74,988 paid for insurance installment for the year 2015 of the Double Cab Vehicle No. WPPF – 7352 had been accounted as expenditure of the year under review.
- (d) While Survey Fees amounting to Rs.13,440 paid during the year under review for surveying during the preceding year, in order to vest the land in favor of the Sabha where Hunugala Play Ground and Buddhist Shrine Room are situated had been accounted as expenditure of the year under review, that expenditure had not been capitalized.
- (e) While a Register of License Fees in Arrears had not been maintained with regard to License Fees, License Fees to be recovered amounting to Rs.205,650 relevant to the years 2013 and 2014 through Pussellawa alone had not been disclosed in the accounts.

- (f) Audit Fees amounting to Rs.154,560 paid for the years 2011 and 2012 had been accounted as expenditure for the year under review.
- (g) A sum of Rs.11,525 payable relevant to preparation of stamp fees schedules for the period from June to December 2013 had been accounted having treated as expenditure for the year under review.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.116,036,194 relating to 03 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions are observed in audit.

| Reference to laws, rules, regulations And Management Decisions | Non-compliance |
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| ----- | ----- |
| <p>(a) Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988.</p> <p>-----</p> <p>Rules 59 - 66</p> | <p>A survey had not carried out by the Revenue Overseer at the beginning of the year under review with regard to business entities including industries in the area of authority of the Sabha.</p> |
| <p>(b) Establishments Code of the of the Republic of Sri Lanka</p> <p>-----</p> <p>Chapter XXIV</p> | <p>Action had not been taken to recover Loan balances amounting to Rs.136,740 existing since a period prior to the year 2010 due from 11 employees.</p> |

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 2014 amounted to Rs.16,194,657 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.21,911,696 indicating a decrease of Rs.7,717,039 in the financial result.

2.2 Revenue Administration

2.2.1 Lease Rent

- (a) While business places No. 01 and No. 02 situated in Paradeke villege had been closed down for a long period of time, action had not been taken to repair and lease out those places. Action had not been taken to recover balance in arrears due amounting to Rs.7,560 as the business place No. 03 had been closed down since July 2014.
- (b) A sum of Rs.240,000 that could have been earned to the Sabha, had been lost due to not taking action to lease out stalls No. 07, 08 11 and 12 in Doluwa Public market.

2.2.2 Non-recovery of Lease Money for Transmission Towers

While 18 transmission towers had been identified according to the physical inspection report of the Revenue Inspector, Lease Rent had not been recovered for those towers. Although it had been computed that a sum of Rs.78,200 was receivable from 3 private entities, amount receivable had not been disclosed in the accounts.

2.2.3 Advertisement Boards Charges

Action had not been taken to recover a sum of Rs.103,000 receivable for 26 advertisement boards fixed by a private company, as per letter dated 15 June 2015 of the Secretary of the Udapalatha Pradeshiya Sabha and another sum of Rs.87,150.

2.2.4 Land Tax

According to the Land Tax Register there was a balance of arrears amounting to Rs.24,048 as at 31 December 2014.

2.2.5 Water Charges

Following matters are observed.

- i. While there was a balance of Water Charges in arrears amounting to Rs.2,011,055 as at the date of end of the year under review, out of that, value of balances which had exceeded a period of more than 01 year had been Rs.1,739,769. A proper procedure had not been followed for recovery of these amounts in arrears.
- ii. Revenue that could be recovered to the Sabha had been limited due to providing water supply without water meters to 411 places of consumers.

2.2.6 House Rent

While House Rent in arrears as at 31 December 2014 was Rs.16,802, Action had not been taken to recover arrears of rent amounting to Rs.8,460 due to be recovered from an officer retired in November 2008. A further sum of Rs.15,252 was due to be recovered from a deceased officer as at 31 July 2015.

2.2.7 Court Fines

Action had not been taken even up to July 2015 to get Court Fines Receivable amounting to Rs.28,250 relevant to the year 2011, the sum of Rs.446,833 receivable relevant to the year 2014 and the specific amount receivable after calculation, out of estimated value of Rs.500,000 due from the Office of the Gampola District Registrar of Lands.

2.2.8 License Fees and Business Tax

While action had not been taken to identify the places liable to recover License Fees and Business Tax through a survey during the years 2013 and 2014, Taxes and Charges had been recovered on the basis of the License Register prepared after the last survey carried out during the year 2012.

3. Operating Review

3.1 Management Inefficiencies

- (a) A sum of Rs.2,750,621 was outstanding to be paid as at 31 December 2014 due to non-remittance of contributions payable duly to the Local Government Service Pension Fund.
- (b) Out of the sum of Rs.5 million provided to the Sabha under the National Program for Strengthening Pradeshiya Sabha, a sum of Rs.4,279,126 had been had been returned without performing the relevant Works.
- (c) While the Revenue Inspector left on transfer during the year 1993 and retired during the year 2006 was residing in the house belongs to the Sabha, action had not been taken to handover the house.

- (d) Although the economic rent to be recovered for Government Quarters should be assessed annually in terms of Public Administration Circular No. K/857 dated 05 January 1987, the Sabha had not acted accordingly and rent assessed during the year 2012 for 13 houses belong to the Sabha is being recovered up to now.

3.2 Human Resources Management

When approved and actual cadre of the Udapaltha Pradeshiya Sabha as at 31 December 2014 was examined, it was observed that there were vacancies of 13 posts in the secondary level and 13 vacancies in 06 posts of the preliminary service. Action had not been taken to fill those vacancies. There was a surplus of 02 officers as well in the post of Library Assistant in the preliminary service

3.3 Idle and Under-utilized Assets

Six tyres valued at Rs.115,500 and a motor cycle value of which not identified had been kept idle and under-utilized since the year 2010.

3.4 Improper Transactions

Although a decision had been taken at the General Sabha Meeting held on 25 September 2012 to pay allowances out of administrative expenses sent from the Ministry of Sports Development to officers of that Section, contrary to that, a sum of Rs.326,000 out of all administrative expenses had been paid as allowances to officers receiving salaries from Sabha Funds, without any basis.

4 Accountability and Good Governance

There were variations from 19 per cent to 33 percent in 05 items of revenue and variations from 44 per cent to 100 per cent in 06 items of expenditure when actual revenue and expenditure are compared with the estimated revenue and expenditure. It was observed that, the budget prepared by the Sabha for the year under review, had not been made use of as an effective tool of management.

5. Systems and Controls

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

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