

Udunuwara 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 11 May 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 27 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Udunuwara 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 observations are made.

- (a) Value of lands in extent of 02 Acres 02 Rude 37 Perches amounting to Rs1,135,000 given to the Sabha from lands auctioned in terms of Section 154 of the Pradeshiya Sabha Act 15 of 1987 had not been accounted during the year under review.
- (b) While 06 Projects entered into agreements under One Job for One Village Project had not been completed even up to the end of the year under review Creditors value totaling Rs. 4,001,103 relevant to that Project had not been shown in the financial statements.
- (c) Although the Sabha had entered into a lease agreement for 29 years for the land called Viharawatta in Kamburudeniya under deed No. 17310 on 08 August 1997 and 70 feet long and 30 feet wide community hall had been constructed there, the value of that building amounting to Rs.3,720,000 had not been capitalized under Land and Buildings.
- (d) Six contracts valued at Rs.324,979 for which agreement had not been signed during the year under review had been accounted under Creditors.

- (e) Out of expenditure of Rs.202,891 incurred as insurance expenses of 11 vehicles during the year under review, a sum of Rs.137,334 had been for the year 2015. That expenditure had not been accounted as payment in advance.
- (f) Through Journal Entries No. 41 and 42, a sum of Rs.2,616,719 and a sum of Rs.409,748 totaling Rs.3,026,467 respectively had been adjusted to Accumulated Fund as overstated Debtors without obtaining proper approval.

1.3.2 Non-reconciled Control Accounts

Following observations are made.

- (a) Although Stalls Rent Revenue in arrears as at the date of end of the year under review according to the General Ledger was Rs.289,831, according to the Stalls Rent Revenue Register it had been Rs.314,415, thus indicating a difference of Rs.24,584.
- (b) Although the value of Creditors of the year under review according to the schedules was Rs.62,888,939, value shown in the ledger account had been Rs.69,415,996, thus indicating a non-reconciliation in a sum of Rs.6,527,057.
- (c) Although the Processing Charges according to the Register was Rs.1,484,133, according to the relevant journal entries Processing Value of the year under review had been Rs.1,418,666 thus indicating a difference of Rs.65,467.
- (d) Although the Library Books value as at the date of end of the year under review according to financial statements was Rs.4,901,086, according to the Board of Survey Reports it had been Rs.5,031,026, thus indicating non-reconciliation in a sum of Rs.129,940.
- (e) While the House Rent Deposits Control Account balance had been of Rs.568,330, according to schedules it had been a balance of Rs.67,816, thus indicating a non-reconciliation in a sum of Rs.500,514.
- (f) Credit balance of Rs.101,048, according to the Sundry Deposits Register had been shown as a Debit balance of Rs.220,147 in the financial statements thus indicating a non-reconciliation in a sum of Rs.321,195.

1.3.3 Accounts Receivable

While the total value of Accounts Receivable balances as at 31December 2014 was Rs.67,577,894, out of that the total of 08 account balances which had exceeded a period of one year had been Rs.20,515,778.

- | | |
|--|--|
| (ii) F.R. 571(2) and (3) | The total value of 03 categories of Deposits brought of Deposits brought forward over a period from 2 to 34 years had been Rs.461,131. |
| (c) Circular No. IAI/2002/02 dated 28 November 2002 of the Secretary to the Treasury Clauses 02, 03, 04 and 05 | Although a Fixed Assets Register should be maintained for computers and accessories a separate Fixed Assets Register had not been maintained for 14 Printers and Monitors in use by the Sabha. |
| (d) Circular No. 25/2014 dated 12 November 2014 of the as salaries during Secretary to the Ministry of Home Affairs and Public employees Administration. Clause 07 | A total sum of Rs.841,357 had been paid the year out of Sabha Fund having recruited 06 on temporary basis without following circular provisions. |

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.6,094,894 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,751,738 indicating a decline of Rs.12,846,632 in the financial result.

2.2 Revenue Administration

Adequate action had not been taken to recover arrears of revenue amounting to Rs.21,861,617 as at 31 December of the year under review.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a) While the land called Embildeniyeheha in Vegiriya in extent of 10 perches had been transferred to the Sabha on 03 August 1999 through deed No. 901, the cloves yield of that

land had been allowed to be enjoyed by outside parties without action being taken to get that to the Sabha.

- (b) While Stock Damages valued at Rs.516,437 receivable according to the financial statements, were being brought forward over number of years, action had not been taken to settle it.

3.2 Operational Inefficiencies

Following observations are made.

- (a) Although space of street lamps should be positioned at a distance of 60 meters, 13 street lamps positioned contrary to that had been removed by the Sri Lanka Electricity Board.
- (b) A survey had not been carried out by the Sabha with regard to the institutions to be issued with Environment Protection Permits and institutions obtained Environment Protection Permits during the year under review.
- (c) Instead of taking action to vest the ownership of lands in extent of 01 Rude 16 Perches 12/35 feet and 70 x 30 feet relevant to Community Halls and Multi Purpose Buildings constructed under various provisions, those lands had been taken on lease for 29 years and 30 years respectively.

3.3 Idle and Under-utilized Assets

Following observations are made.

- (a) Action had not been taken for disposal or to auction or to take suitable action with regard to the two idle vehicles No. 19-5295 and No. 101-7146.
- (b) 739 Copies of the books printed during the year 2013 at a cost of Rs.440,064 containing Udunuwara Ancestral Story had not been sold even up to the date of end of the year under review.

3.4 Deficiencies in Contracts Administration

Following observations are made.

- (a) Although a sum of Rs.4,000,000 had been provided for 04 contracts to be completed during June to September of the year under review under the Program for strengthening Pradeshiya Sabha from the Ministry of Provincial Councils and Local Government, out of that only a sum of Rs.648,480 had been spent at the end of the year under review.

Although balance sum of Rs.3,351,520 should be remitted to the relevant Ministry, it had been invested on fixed deposits in the Gelioya Bank of Ceylon on 23 September 2014 .

- (b) Contracts valued at Rs.5,583,467 had been awarded to community based organizations during the year under review without following the tender procedure in terms of rules 177 and 178 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.

3.5 Human Resources Management

Twelve surplus officers in 04 posts and 11 vacancies of officers in 06 posts were observed in the Uduuwara Pradeshiya Sabha during the year under review.

4 Accountability and Good Governance

4.1 Internal Audit

Although an Internal Audit Unit had been established in the Pradeshiya Sabha, it had not been implemented in terms of provisions in the Circular No. DMA/2009(1) dated 09 June 2009 of the Secretary to the Ministry of Finance.

4.2 Procurements Plan

Although assets amounting to Rs.131,346,142 had been acquired for the year under review, a Procurement Plan had not been prepared in terms of the Government Procurement Guidelines.

4.3. Budgetary Control

- (a) While Excesses in estimated expenditure relevant to 02 items of expenditure amounted to Rs.1,120,344, it had been in a range from 13 per cent to 21 per cent.
- (b) While failure to reach estimated expenditure relevant to 06 items of expenditure amounted to Rs.6,100,418, it had been in a range from 4 per cent to 58 per cent.
- (c) While over estimated revenue relevant to 06 items of revenue amounted to Rs.9,614,828, it had been in a range from 4 per cent to 48 per cent.
- (d) Although the budgeted revenue for 03 subitems of 02 Revenue Heads was Rs.301,000, that revenue had not been recovered.
- (e) Although the Budget should be made use of as a tool for achievement of long terms objectives according to the Corporate Plan, it was observed that the budget had not been made use of as an effective unit of financial management.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contracts Control.