

Ukuwela Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Auditor General on 07 July 2015 while Financial Statements relating to the preceding year had been submitted on 10 April July 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 02 September 2015.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Ukuwela Pradeshiya Sabha as at 31 December 2014 and financial results of its operation for the year then ended and cash flows.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following Accounting Deficiencies are observed in audit.

- (a) While the value of 02 Lands, 10 Cemeteries, and 61 Public Wells belong to the Sabha had not been assessed and included I the financial statements, the value of the land where the office building is located had been understated in a sum of Rs. 135,000 in the financial statements.

- (b) Value of the Forton Type Tipper Vehicle and the Tractor received to the Sabha as well as the Waste Bins valued at Rs. 25,668 had not been included in the financial statements.
- (c) Expenditure amounting to Rs 4,641,745 incurred for the development of lands and buildings of the council had not been capitalized.
- (d) Value of 21 Objectives of Computers and Accessories amounting to Rs. 594,061 provided for the E -Nena Piyasa Project from the Central Province Chief Ministry and the value of the Sever Machine amounting to Rs. 200,000 provided through the Pilisaru Project and revenue amounting to Rs. 169,627 due from a hotel approved by the Tourist Board had been omitted from the financial statements.
- (e) The Loan balance payable to the Local Loans and Development Fund had been understated in a sum of Rs. 5,186,983, while stocks relating to 11 tar barrels and $\frac{3}{4}$ " concrete metal and $\frac{1}{4}$ " chips valued at Rs. 239,600 had been overstated in the financial statements.
- (f) While A Work Debtors balance of Rs. 979,763 receivable had been omitted in the financial statements, a Work Creditors balance of Rs. 776,100 had been overstated in the financial statements.
- (g) Out of the 560 Galvanized Pipes received from the Provincial Councils and Regional Development Ministry , value of 286 pipes amounting to Rs. 316,602 available with the Sabha had not been accounted.

1.3.2 Non-reconciled Control Accounts

Discrepancies totalling Rs.12,331,729 were observed between 06 items of accounts totalling Rs.105,208,260 shown in the financial statements and the balances shown in the relevant subsidiary registers and reports.

1.3.3 Accounts Receivable

While the total of 07 balances of Accounts Receivable as at the date of end of the year under review amounted to Rs. 33,015,967, a balance that had elapsed more than 05 years amounting to Rs. 31,137 had been included therein.

1.3.4 Accounts Payable

While the value of Creditors balance as at the date of end of the year under review amounted to Rs.37,807,163 a balance that had elapsed more than 05 years amounting to Rs.94,775 had been included therein.

1.3.5 Lack of Evidence for Audit

Transactions totalling Rs. 89,532,551 relevant to 08 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, Regulations etc.

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

Reference to Laws, Rules, Regulations etc.

Non-compliance

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| (a.) Sections 6/6 (i) of the Housing and City Development Ordinance | - Although 14 un-authorized constructions had been reported, any course of action had not been taken by the Sabha in that connection. |
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- (b.) Circular No. 25/2014 dated 12 November 2014 of the Secretary to the Ministry of Public Administration - Permanent posts had been awarded to three Laborers who were receiving allowance, without complying with the circular provisions and Home Affairs.

1.3.7 Transactions not established through Adequate Authority

A sum of Rs. 85,897 had been spent for Ramadan Festival and seminars conducted for Year 5 Scholarships Examination without approval of the Minister.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.6,192,387, as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.16,436,943. When compared with the preceding year, a decline of Rs.10,244,556 was shown in the financial results for the year under review.

2.2 Analytical Financial Review

Some of the significant information relating to financial position and financial performance for the year under review and the preceding 02 years of the Sabha are given below.

- (a) When surplus of financial result is taken as a percentage of operational revenue, a continuous decline was indicted.
- (b) While total expenditure is taken as percentage of total revenue, a continuous upward trend is indicated and it was observed as un-satisfactory position with regard to financial control.

(c) While the balance of the Accumulated Fund had taken a minus value, it was getting increased continuously. That minus value had been increase in a sum of Rs. 18,489,425 during the year under review when compared with that for the preceding year.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

A Revenue of Rs. 37,350 only had been earned through the Water Bowser and the Road Roller belongs to the Sabha during the year under review. Sabha had not paid attention for optimum use of these resources in order enhance revenue.

2.3.2 Rates

While the balance of Rates in arrears amounted to Rs. 780,255, balances in arrears for more than a year amounting to Rs. 441,143 were included therein.

2.3.3 Acreage Tax

While the balance of Acreage Tax in arrears amounted to Rs. 31,137, that balance was being brought during a period of 05 years without any change.

2.3.4 Water Charges

While the balance of Water Charges in arrears amounted to Rs. 1,486,941, balances which had elapsed more than a year amounting to Rs. 1,310,487 were included therein.

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2.3.5 Advisements Boards Charges

A sum of Rs. 68,750 had not been recovered for the Advisements Boards exhibited in the area by 02 private business entities, in terms of provisions in Section 126 vii (f) and Sub Section XXX of the Pradeshiya Sabha Act No. 15 of 1987.

2.3.6 Land Sales Charges

Although 1 per cent tax should be recovered from the sale proceeds of a land sold in public auction or in other method, in terms of provisions in Section 154(i) of the Pradeshiya Sabha Act No. 15 of 1987, tax had been recovered from 03 land auctions on the basis of temporary assessed value.

2.3.7 Environmental License Fees

A Revenue of Rs. 35,200 had been lost to the Sabha, due to failure in renewal of time lapsed Environmental Licenses in terms of the National Environmental act No. 56 of 1988, No.53 of 2000 and Gazette Notification No. 1533/6 dated 25 January 2008.

2.3.8 Lease Rent

- (a) The Chicken Stall No. 01 in the new market had been leased out on long time basis for a period of 5 years commencing from the year 2013 on a monthly rental of Rs. 750 without complying with the provisions in the circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.
- (b) Although the Assessed Lease Rent should be revised once in 05 years, action had not been taken to revise the Lease rent of 11 stalls in the old market belongs to the Sabha.

- (c) While the Lease Rent in arrears amounted to Rs. 106,276, that balance had remained unsettled during a period more than one year.
- (d) Although the Stalls Rent of the Section “a” of the New Market had been assessed through the Valuation Department during the year 2010, rent had not been recovered on the basis of that assessment resulting in a revenue loss of Rs. 304,800 to the Sabha.
- (e) The Meat Stall No. 16 in the Public Market leased out through tenders during the preceding year had been leased out on long terms basis according to a decision taken by the Sabha. Due to that, the annual income of Rs. 432,000 to be received to the Sabha had come down to Rs,18,000.

2.3.9 Court Fines and Stamp Fees

A sum of Rs. 1,476,558 on account of Court Fines and a sum of Rs. 7,855,865 on account of Stamp Fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Performance Evaluation

Following matters are observed.

- (a) Although the main objectives according to the statement of Budget Policy had been the Construction of Fuel Filling station, Establishment of a Roads Development Unit and Traffic Control in the City, those Projects had not been commenced.

- (b) While improvement of common amenities of the General Public in the area of authority of the Sabha, Roads Maintenance and Cleaning up Drainage Systems had not been performed to the expected level, Sabha had not paid attention with regard to construction of a crematorium.

3.2 Operational Inefficiencies

Following matters were observed.

- (a.) Out of the 1008 applications received for approval of building plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978 during the year under review and preceding two years, 623 applications had been approved. However, out of those, Certificates of Conformity had been issued only for 57 applications.

- (b.) Although 21 Inventory Units of Goods relating to 10 Objects valued at Rs. 594,061 had been provided to the Sabha for implementation of "E" Nena Piyasa Project under Provincial Criteria Based Development Grants, , that Project had not been commenced.

- (c.) Action had not been taken to recover Loan balances in arrears amounting to Rs. 60,748 as per paragraph 06 of the Accounts Circular No. No. 95/9 dated 27 December 1995 of the Central Province Chief Secretary.

3.3 Transactions of contentious nature

Following matters were observed.

- (a) A sum of Rs. 438,007 had been paid out of the Sabha Fund without obtaining Sabha approval, before reimbursement of funds from the Divisional Secretariat for 14 Works performed through the provisions of the Ministry of Economic Development.

- (b) Although a sum of Rs. 749,308 had been paid for 04 Works having obtained approval from the Finance Committee and the Sabha that money had not been reimbursed.

3.4 Idle/Under-utilized Assets

While the Land and Building where the Old Library and the Ayurvedic Dispensary is located had not been used for any purpose, it was in the verge of getting collapsed. Two stalls in the New Market Complex had been closed down without action being taken to lease out.

3.5 Identified Losses

Out of the Galvanized Pipes provided during the month of December of the year under review through the Ministry of Provincial Councils and Regional Development, there was a shortage of 226 pipes valued at Rs. 250,210.

3.6 Contract Administration

Following matters were observed.

(a.)	Provision	Name of the work	Amount Spent Rs.	Date of physical Inspection	Deficiency
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	Programme for strengthening Pradeshiya Sabha	Pathingolla Road Development (Director Labour Basis)	3,064,869	20 July 2015	Although a sum of Rs.371,750 had been estimated for the second coat of tarring 2,250 square feet, under

item of No.09,
tarring had not
been done up to
the date of
inspection.

- (b.) Although construction materials valued at Rs. 3,535,422 had been provided for construction of buildings and roads development on direct labor basis, measurement sheets or reports of the Technical Officer had not been obtained confirming that those materials were used and the works were successfully completed.
- (c.) Although advances amounting to Rs. 271,200 had been paid without any supervisor for 05 Projects which had not commenced the construction works, those had not been settled in terms of Rule 114 of the Pradeshiya Sabha (Financial and Administrative) Series of 1988.
- (d.) A field inspection had been carried out by the District Engineer after development of the Road beginning near Kendagolla Post No. 2, constructed under “Jathika Saviya Gama Neguma “Project during the year 2012. He had recommended that it is suitable to apply a concrete layer of 1:2:4 (3/4) mixture to a thickness of 2” as the thickness of this road was weak. In spite of not getting that work fulfilled, a sum of Rs. 659,211 had been paid out of the Sabha Fund. However, out of that, a sum of Rs. 463,888 had not been reimbursed even up to the end of the year under review.

3.7 Solid Waste Management

It was observed that a large quantity out of about 03 tons of solid wastes collected daily in the area of authority of the Pradeshiya Sabah, are being dumped in a harmful manner to the environment without referring for recycling.

4. Accountability and Good Governance

4.1 Internal Audit

Although an officer had been appointed for internal audit, adequate internal audit had not been taken place as other duties too had been assigned to him.

4.2 Audit and Management Committees

Action had not been taken to establish Audit and Management Committees in terms of the letter No. CPC/CLG/1/9/1/4 dated 08 August 2014 of the Commissioner of Local Government up to 31 December of the year under review.

4.3 Budgetary Control

Even after amendments of the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the Budget had not been made use of as an effective tool of management.

- (a) While any revenue had not been earned from estimated revenue amounting to Rs.885,000 relating to 05 Items of Revenue, there were variations in a range of 03 to 58 per cent between the estimated and actual revenue of another 09 Items of Revenue.

- (b) While the entire provision of Rs. 2,968,250 made available for 20 Items of Expenditure had been saved, there were variations in a range of 0.6 to 65 per cent between the net provision and actual expenditure in another 22 Items of Expenditure.

4.4 Audit Queries not resolved and not replied

Replies had not been furnished to 05 queries out of the audit queries issued, even as at 31 December of the year under review. The value of transactions which could be worked out, subject to those queries was Rs. 15,575,105.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Debtors Control
- (f.) Stores Control
- (g.) Contracts Control