

## Ukwela Pradeshiya Sabha

### Matale District

#### 1. Financial Statements

##### 1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 26 April 2016 and the financial statements for the preceding year had been presented on 07 July 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 18 July 2016.

##### 1.2 Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Matala Pradeshiya Sabha as at 31 December 2015 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 matters are observed.

- (a) Ten crematoriums and 61 public wells belonging to the Sabha had not been brought to accounts under fixed assets.
- (b) Equipment valued at Rs.594,061 received by the E-Nena Piyasa Project from the Chief Ministry of the Central Province on 25 June 2014, fishery machines valued at Rs. 200,000 received from Pilisara Project during the same year and the library books valued at Rs.230,992 purchased during 2015 had not been brought to accounts.
- (c) The expenditure of Rs.378,984 incurred in 2015 and the expenditure of Rs.4,46,745 incurred in the previous year on behalf of construction and development activities of the Sabha aggregated Rs.4,840,729. This had not been capitalized.
- (d) The balances of loan payable to the Local Loans and Development Fund as at 31 December 2015 had been understated in the financial statements by Rs.630,293.
- (e) Revenue from land partitioning and the revenue from court fines amounting to Rs.9,425 and Rs.128,650 respectively had been overstated in the accounts.

- (f) Payables amounting to Rs.78,094 for the year had not been brought to accounts under accrued expenses. As a result, the expenditure of the year and the accrued expenses had been understated by Rs.78,094.
- (g) The balance of work debtors receivable as at 31 December 2015 amounted to Rs.1,123,791 as per register of debtors and letters of confirmation of balances. This had been omitted in the financial statements.
- (h) The values of 34 garbage containers and 286 galvanized tubes as at end of the year amounting to Rs.9,381 and Rs.316,602 respectively and the balance of stock available at 2 Ayurvedic Dispensaries had not been brought to accounts.
- (i) The values shown in the Revenue and Expenditure Account with regard to 2 items of revenue and 7 items of expenditure had been adjusted with the Journal entries and subsequently the balances of the ledger accounts had been reconciled. This had resulted in variances and as a result of the variances, the revenue and expenditure had been understated by Rs.113,942 and Rs.1,218,183 respectively. As a result, the surplus in the Revenue and Expenditure Account as at 31 December 2015 had been understated by Rs.1,104,241.

### **1.3.2 Unreconciled Control Accounts**

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The differences between the balances of 08 items of accounts aggregating Rs.49,896,952 as per financial statements and the related subsidiary registers and reports aggregated Rs.19,751,230.

### **1.3.3 Accounts Receivable**

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The balances of 05 accounts receivable as at last date of the year under review aggregated Rs.2,825,232. The balance of Rs.31,137 of over 05 years had also been included in this.

### **1.3.4 Accounts Payable**

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The balances of 02 accounts payable as at last date of the year under review amounted to Rs.25,278,357. The total of unsettled balances of over 01 year and less than 05 years amounted to Rs.4,590,591.

### **1.3.5 Lack of Evidence for Audit**

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Transactions aggregating Rs.130,162,793 could not be satisfactorily vouched in audit due to non rendition of adequate evidence relating to 10 items of accounts.

### **1.3.6 Non-compliance with Laws, Rules, Regulations etc.,**

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#### **Financial Regulation of the Republic of Sri Lanka**

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F.RR 571 and 572

Action had not been taken as per provisions with regard to 14 deposits valued at Rs.195,291 which had exceeded 2<sup>nd</sup> years since their deposits.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.18,577,241 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,192,387 showing an improvement in financial results of the year under review by Rs.12,384,854

### **2.2 Analytical Financial Review**

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The expenditure on constructions for the year under review amounted to Rs.31,156,163. The said expenditure amounted to Rs.84,940,061 during the previous year. Accordingly, the expenditure on constructions had decreased by 63 per cent during the year under review.

### **2.3 Revenue Administration**

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#### **2.3.1 Rates and Taxes**

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The arrears of rates and taxes as at 31 December 2015 amounted to Rs.634,083. Balances of over 01 year amounting to Rs.264,878 had been included in this.

#### **2.3.2 Acreage Tax**

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The balance of acreage tax as at 31 December 2015 amounted to Rs.31,334. Of these balances, a sum of Rs.31,138 remained unrecovered for over 6 years.

#### **2.3.3 Water Charges**

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(a) The arrears of water charges as at 31 December 2015 amounted to Rs.1,541,877. Balances of over 01 year amounting to Rs.325,540 had been included in this.

- (b) A sum of Rs.460,742 was recoverable from 294 water consumers as at 31 December 2015 to whom supply of water had been disconnected for non payment of water bills. This included balances of Rs.209,228 recoverable from 227 water consumers to whom supply of water had been disconnected for over 1 year.
- (c) The Pradeshiya Sabha owns 4 water schemes. Of these, 40 consumers of waters from the Kaduwela water scheme had consumed water without water meters being installed. A fixed rate of Rs.150 per month had been recovered from them. Water meters of 25 water consumers of the rest of the 03 water schemes had malfunctioned and as a result a fixed rate of Rs.150 per month had been recovered from those water consumers too. But, action had not been taken to install water meters.

#### **2.3.4 Lease Rent**

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The following matters are observed.

- (a) The rent assessed for 20 stalls of the A and C trade complex had not been recovered as per provisions in the Circular No. 1980/46 of 31 December 1980 of the Commissioner of Local Government, Central Province. As a result, the Sabha had been deprived of a revenue of Rs.621,000 for the period 01 January 2011 to 31 December 2015.
- (b) Rent had been recovered for stalls of the B and D trade complex of the Sabha without assessment being made.
- (c) Meat stalls should be given on lease by calling for tenders annually. However, the meat stall of the Sabha bearing No. B-01 had been given on lease for a monthly rent of Rs.750 for a 05 year period of 19 November 2013 to 18 November 2018.
- (d) Lessees should not sublet their stalls. However, 10 stalls of the Sabha had been given on sub lease.

### **3. Operating Review**

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#### **3.1 Management Inefficiencies**

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The following matters are observed.

- (a) The services of K.K.S are not required for a public library. However, a K.K.S had been assigned to work at 02 libraries at Thenna and Orilikanda since 03 November 2008. The salaries and allowances paid during the year under review amounted to Rs.370,854.
- (b) Allowances amounting to Rs.469,500 had been paid by employing 2 persons on temporary basis without obtaining the prior approval of the Department of Management Services in terms of Paragraph 07 of the Public Administration Circular No.25/2014 of 12 November 2014.

- (c) Action had not been taken to recover the loan balances of Rs.60,748 recoverable from a retired officer and an officer who had gone on change of station transfer.

### **3.2 Operating Inefficiencies**

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The Sabha had received 21 units of inventory goods of 10 items valued at Rs.594,061 on 25 June 2015 in order to implement the “E” – Nena Piyasa Project under the Provincial Specific Development Grant. However, the project concerned had not been commenced. 02 computers received under this had been utilized for office work.

### **3.3 Irregular Transactions**

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The following matters are observed.

- (a) A member of the Matale Municipal Council who was also the Library Assistant of the Public Library had not properly reported for work and performed his duties. In spite of this, a sum of Rs.827,172 had been paid as salaries and allowances for the period 2013 to December 2015.
- (b) Officers of the Department of Valuation had assesses rates and taxes from 01 September 2014 to 10 April 2015 and a sum of Rs.1,128,415 had been spent on rent of hostel, labour charges, water and electricity chares during their residential period. But, the reports relating to assessment of rates and taxes had not been furnished even by 31 December 2015.

### **3.4 Uneconomic Transactions**

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- (a) An agreement had been entered into on 25 October 2012 for Rs.30,000,000 with the SATHOSA establishment to given on lease the old building belonging to the Sabha on lease for 05 years at the rate of Rs.50,000 per month. However, the old building had been demolished vide a decision made by the General Council dated 15 January 2013. As such, the lawyer’s fees of Rs.60,000 incurred in this regard had become fruitless.
- (b) According to the said decision of the Sabha, it had been decided to construct a new building with stalls by obtaining the services of the District Engineer. However, the work had been entrusted to a private architect and a sum of Rs.500,000 had been paid as consultancy fees. The construction work of the building had been abandoned.

### **3.5 Identified Losses**

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Payments had been made from the funds of the Sabha under the programme named one work for one village. However, the Divisional Secretariat had not reimbursed any amount, whatsoever. As a result, the loss caused to the Sabha amounted Rs.147,182.

### **3.6 Contract Administration**

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The following matters are observed.

- (a) Purchase of 5,500 block stones had been made for Rs.169,125 in July 2015 for spreading in the premises of the public market for which the approval of the general council had not been obtained. A certificate of standard had not been obtained from an acceptable institution to confirm the standard of the block stones purchased. The block stones remained in the premises of the Sabha without being used.
- (b) The work relating to developing and maintaining the Pathinggalla Alawathuwala road had been performed on direct labour basis under the Strengthening of Pradeshiya Sabha Programme. According to the work Item No.10 of the Estimate, the amount required for second tarring of the 2,250 sq.metres was Rs.321,750. But, the second tarring had not been carried not even by 20 July 2015, the date of inspection. As such, the existence of the surface of the road had been affected.
- (c) Advances amounting to Rs.108,880 had been paid to 02 societies carrying out contracts to complete 02 jobs in 2014. However, those jobs had not been commenced even by end of the year under review.

### **3.7 Delay in Projects**

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The work to be performed according to the Budget Policy Statement were, construction of a car park and the ground floor at the trade complex proposed to be constructed in the premises of the old Pradeshiya Sabha, construction of a new building for the Ukwela Public Library, to obtain another suitable place for recycling of garbage and to render crematorium facilities at Ukwela. These Projects and functions had not been fulfilled.

### **3.8 Solid Waste Material Management**

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About 03 tons of garbage gets collected in the authoritative area of the Sabha daily. These are collected by utilizing the tractor and employees of the Sabha. 1 ½ metric tons of garbage is separated and sent for recycling at the Dematago Garbage Recycling Centre for preparation of compost fertilizer. The rest of the garbage gets disposed of in 02 places belonging to the Sabha at Ukwela and Elkaduwa by burying in the soil. The garbage so collected had been disposed of, in extensive quantity, endangering the environment.

## **4. Good Governance and Accountability**

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### **4.1 Budgetary Control**

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- (a) Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provisions among items of revenue and expenditure during the year under review. showing that the budget had not been utilized as an effective instrument of management control.
- (b) None of the revenue of Rs.111,566,000 estimated for 18 items of revenue had been earned. Variances ranging from 37 to 425 per cent existed between the estimated and actual revenue of 31 items of revenue.
- (c) Provision made for 24 items of expenditure amounted to Rs.4,171,000. This had been saved without any expenditure being incurred. The variances between the net provision and the actual expenditure of 47 objects ranged from 40 to 99 per cent.

### **4.2 Internal Audit**

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Adequate internal audit had not been carried out as the officer appointed for internal audit work had also been assigned with other duties.

### **4.3 Assets Management**

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#### **Idle and Under Utilized Assets**

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- (a) Action had not been taken to utilize the land and building belonging to the Sabha where the old library and the ayurvedic dispensary functioned at the Elkaduwa town. Meanwhile, 03 vehicles of the Sabha remained idle from 2014 without being used.
- (b) Goods valued Rs.509,267 purchased during 2012 and 2014 remained at the stores without being used.
- (c) Two hundred and eighty six out of 560 galvanized tubes valued at Rs.316,602 received from the Ministry of Provincial Councils and Regional Development in 2014 had not been used for any purpose.

## **5. Systems and Controls**

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

- (a) Accounting
- (b) Stores Control
- (c) Debtors' and Creditors'
- (d) Assets Management
- (e) Contract Administration
- (f) Budgetary Control