

**Ududumbara Pradeshiya Sabha  
Kandy District**  
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**01 Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements of the year under review had been presented for audit 29 March 2017 and the Financial Statements for the preceding year had been presented for audit on 04 April 2016.

**1.2 The Qualified Opinion**  
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I am of opinion that, except the effect on the Financial Statements of the matters referred in paragraph 1.3 on this report, the FINANCIAL STATEMENTS had been in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Ududumbara Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

**1.3 Comments on Financial Statements**  
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**1.3.1 Accounting Deficiencies**  
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Following deficiencies were observed.

- (a) While an amount of Rs. 2,424,216 that had paid develop the lands building had not been capitalized, the multipurpose building had a value of Rs.42,160,398, and 7 lands and an “ambalam” owned to the sabha had not been admitted to the Financial Statements by assessing value.
- (b) Although a total of Rs.775,000 had been accounted as the council's Ambalum, but most of them have been destroyed.
- (c) 2 machines worth of Rs. 250,000 and a photo copy machine with an unknown value had not been included on financial statement in the year under review.
- (d) The discounts of Rs.19,466 that had given in the year under review and the audit fee of Rs.30,000 were not included in the Financial Statements.
- (e) While only the stamp fee amount of Rs.1,058,700 of the 3 months of the year was accounted, the Stamp Fees revenue related the year and the receivable stamp fee amount for the year had not been stated on Financial Estimates by calculating or on an estimate basis.
- (f) The capital revenue amount of Rs.3,900,000 that had received under the Strengthening Program of the Pradeshiya Sabha and a capital expenditure amount of Rs.3,396,941 had not been accounted.

### 1.3.2 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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While the total balance of accounts receivable as at 31 December of the year under review amounted to Rs.18,843,253, balances that had elapsed 01 to 05 years amounting to Rs.1,776,654 and had elapsed more than 5 years amounting to Rs. 1,575,429 had been included therein.

#### (b) Accounts Payable

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While the total balance of accounts payable as at 31 December of the year under review amounted to Rs.20,070,495, balances that had elapsed 01 to 05 years amounting to Rs.2,064,826 and had elapsed more than 5 years amounting to Rs. 94,850 had been included therein.

### 1.3.3 Lack of Documentary Evidence for the Audit

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Transaction totalling Rs.10,664,417 could not be satisfactorily vouched in audit due to non-submission of required information to the audit.

### 1.3.4 Non - compliance with Laws, Rules, Regulations etc.

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Following instances of non-compliance with laws, rules and regulations were observed during the audit.

<b>Reference to the laws rules and regulations</b>	<b>Non compliance</b>
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(a) Section 18 of the Pradeshiya Sabha Act No.15 of 1 987	Documents on the Rights of the 99 assets of the sabha had not been obtained.
(b) Extension Gazette no.1533/16 of the Democratic Socialist Republic of Sri Lanka dated 25 January 2008, as per the National Environmental Act No. 47 of 1980, as amended and Regulated by of Act No. 53 of 2000 and No. 56 of 1988,	While the license had not been issued relevant to 21 industries, including the Tobacco Industry, Grinding Factories, which resulted in the loss of Rs. 92,400 to the Sabha.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statement presented, excess of revenue over recurrent expenditures of the Sabha for the year ended 31 December 2016 amounted to Rs.2,687,105 , as compared with the corresponding amount in excess of revenue over recurrent expenditure

for the preceding year amounted to Rs.1,973,207 . When compared with the preceding year, an increase of Rs.713,898 was observed in the Financial Results for the year under review.

## **2.2 Analytical Financial Review**

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The increase of rental income of Rs.445,505, license fee of Rs.259,590 and other incomes of Rs.284,640 had been basically influenced to the increase of Rs.713,898 of financial result.

## **2.3 Working Capital Management**

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The ratio between total current assets and total current liabilities was 1.5:1, 1.2:1 and 1.7:1 in the year under review and the 02 preceding years respectively.

## **2.4 Revenue Administration**

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### **2.4.1 Performance in Revenue Collection**

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The Pradeshiya Sabha had not been concerned to increase the revenue from machinery provided to establish a Machinery Plant.

### **2.4.2 Rates**

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Following matters are observed.

- (a) It had been recovered only 64 percent from the arrears rate of Rs. 279,764 that remained on the commencement of the year under review.
- (b) While the arrears rate balance was amounted to Rs.211,993 as at 31 December of the year under review and a balance of Rs. 12,466 between 1-5 years had been included therein.

### **2.4.3 Other Income**

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#### **(a) Taxi and three wheeler Parking Charges**

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While the balance of arrears taxi and the three wheeler charges was amounted to Rs.223, 500 as at 31st December of the year under review and the balance of Rs.87, 000 was due from 1-5 years.

#### **(b) Servicing by the Tractor and Bowsers**

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Only an amount of Rs.700 had been recovered during the year from the Balance of Rs.66,700 which remained at the beginning of the year under review.

**(c) Acreage Taxes**  
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- (i) Only an amount of Rs.6,678 of had been recovered during the year from the arrears balance of Rs.200,334 which remained at the beginning of the year under review. It was a percentage of 3 percent from the total arrears.
- (ii) While the total arrears balance of acreage taxes as at 31 December of the year under review amounted to Rs.197,257, a balances that had elapsed 01 to 05 years amounting to Rs. 45,672 and had elapsed more than 5 years amounting to Rs.147,967 had been included therein.

**(c) Water Charges**  
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Only an amount of Rs. 511,309 had been recovered during the year from the arrears balance of Rs.919, 103 which remained at the beginning of the year under review. It was a percentage of 55 percent from the total arrears. While the total arrears balance of water charges as at 31 December of the year under review amounted to Rs.686, 843, a balances that had elapsed 01 to 05 years amounting to Rs. 404,108 had been included therein.

**(e) Rent for Stalls**  
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While the total arrears balance of stall rent at 31 December of the year under review amounted to Rs.83,430, balances that had elapsed more than 5 years amounting to Rs. 20,830 had been included therein.

**2.4.4 Court Fines and Stamp Fee**  
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Following matters are observed.

- (a) A sum of Rs.1,369,132 of court fines 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.
- (b) While the total arrears balance of stamp fees revenue as at the end of the year under review amounted to Rs.1,151,890, a balances that had elapsed 01 to 05 years amounting to Rs. 619,740 and had elapsed more than 5 years amounting to Rs.11,000 had been included therein.

**3 Operating Review**  
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**3.1 Performance Evaluation**  
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Following matters are observed.

- (a) Although increase of the common utility services of the peoples who living the area of authority of the Sabha is main function of the Sabha the special attention of the Sabha had not been given for cleaning the cannel system, remove garbage and maintain the city clean.
- (b) Any amount had not been used for the development of the area from recurrent revenue of Rs. 24,383,416 during the year under review.

- (c) space about 4870 square feet of the multipurpose building that had constructed expending an amount Rs.42,160,398 in the year 2015 by allowances of Pura Neguma Project, had been underutilized.

### **3.2 Management Inefficiencies**

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Following matters are observed.

- (a) While there were 21 vacancies in 10 posts in the Sabha and any action had not been taken to fill those vacancies.
- (b) The number of consumers was 518 of 3 water projects that implementing in the area of authority of the Sabha, the water meters had been fixed only for 418 out of this.
- (c) 13 stalls which were signed during the Development Council in 1982 had not been entered into the agreements according the new estimate.

### **3.3 Operational Inefficiencies**

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Actions had not been taken to generate any revenue utilizing a Drum Truck, a Single Vibration Machine, a Backhoe Loader and a Water Bowser that owned to the Pradeshiya Sabha.

### **3.4 Idle/Underutilized Assets**

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Any actions had not been taken to dispose or repair a Council's tractor and two Motorcycles.

### **3.5 Identified Losses**

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According to the Board of Survey's report of 31 December 2015, while it was a shortage of 43 units of 19 items, and it had not taken necessary actions on these shortages.

### **3.6 Contracts Administration**

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An estimated amount of Rs. 1,800,000 has been prepared for the renovation of the Tissa Attanayaka Memorial Hall under the program of Strengthening the Pradeshiya Sabha in the year 2016. Although the work had to be completed before 31st of November 2016, the work had not been completed also on 19 May 2017 and the construction material inventory worth of Rs. 247,720 that had purchased for above project was put up at the conference hall.

### **3.7 Solid Waste Management**

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while it had constructed a ground for selecting waste and a channel had made under the methodology of semi auto gullies with cover in the year 2010 under the donations amount of Rs.3,487,828 that had received from Ministry of Environment of Central Province, the machinery and equipments worth of Rs.5,069,140 had been received. Five workers from the Pradeshiya Sabha and a group tractor were used to collect garbage, and it had dumped decaying garbage into the gully and actions had been taken to burn other non-decaying garbage after selling the items which could to be sold. Although it had passed 8 years after commencement of the project, any revenue could not be earned due to the inability to

use a backhoe for composting hence the high deep of the drain and the roof of the yard was too short. The installation of a riddle machine could not be carried out due to the problem with receiving electricity to this place.

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

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##### **4.1 Budgetary Controls**

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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. Following matters are observed in this regard.

- (a) Any amount had not been expended from the amount of Rs.125, 000 that had allocated for 15 items of expenditures.
- (b) Variances had remained between the net provision of 27 votes and actual costs at a range from 29 percent to 97 percent.
- (c) Variances had remained between the estimates of 08 items of revenue and actual revenue at a range from 8 percent to 57 percent.

##### **4.2 Annual Procurement Plan**

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It had not been prepared a Procurement plan for the year under review.

##### **4.3 Internal Audit**

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An adequate internal audit had not been taken place of the Sabha in the year under review.

##### **4.4 Audit and Management Committees**

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It had hold only 1 audit and management committee meeting in the year under review.

#### **5 Systems and Controls**

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

- (a) Fixed assets
- (b) Accounting
- (c) Vehicle Administration
- (d) Revenue Administration
- (e) Creditors and Debtors