

Uvaparanagama Pradeshiya Sabha  
Badulla district.

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1. Financial Statements

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1.1. Presentation of the Financial Statements

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The Financial Statement for the year 2017 had been submitted for audit on 21 March 2018 and the report of the Auditor General had been sent to the Chairman on 30 August 2018.

1.2. Qualified Opinion

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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 Uvaparanagama Pradeshiya Sabha as at 31 December 2017 and it's financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3. Comments on Financial Statements

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1.3.1. Accounting Deficiencies

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Following observations are made.

- a. Cement Blocks which are not physically available in the stock at the end of the year amounting to Rs.5,470,180, had been accounted as such the Current Assets were overstated.
- b. Work creditors amounting to Rs.67,550 in the year under review had been overstated as such the value of the expenditure and liabilities were overstated by that amount.
- c. Pension to be paid as at 31 December in the year under review amounting to Rs.36,596 had not been recognized as liabilities as such the value of the expenditure and the liabilities were underestimated by that amount.
- d. The payments for the acquisition of land in the year under review amounting to Rs.9,281,250 had not been stated in the ledger as advance payment thus the value of assets was understated by the said amount.
- e. Although the stock of unusable books valued at Rs.12,807 had been removed from the inventory in the year under review and corresponding adjustment had not been made thus the value of Revenue Contribution to Capital Outlay and Assets were overstated by that amount.
- f. The stock of compost fertilizer amounting to Rs.35,050 had been omitted from accounts in the year under review thus the value of the current Assets had been understated by that value.

- g. Miscellaneous Deposits amounting to Rs.106,368 had been overstated in accounts in the year under review thus the value of liabilities had been overstated.
- h. Pre-payments amounting to Rs.500,000 had been over accumulated in accounts thus the Current Assets had been overstated by that amount.

1.3.2. Accounts Receivable and Payable.

a. Accounts Receivable

At the end of the year under review accounts receivable balances to Rs.29,260,533 including a two-year arrears of Acreage tax amounting to Rs.2,738, Arrears of Shop Rental of Rs.412,565, Water Bills amounting to Rs.1,239,275, Fair Tax income amounting to Rs.12,516, Arrears of Interest amounting to Rs.490,102 and Capital Receipts amounting to Rs.27,103,336.

b. Accounts Payable

At the end of the year under review accounts payable balances to Rs.32,664,059 includes 02 works creditors amounting to Rs.32,540,518 for 02 years and General Supply Creditors amounting to Rs.93,833 for one year and Other Creditors amounting to Rs.29,707.

1.3.3. Non-compliance

1.3.3.1. Non-compliance with laws, rules, regulations and management decisions

Instances of Non-compliance with laws, rules, regulations and management decisions observed in audit are shown below.

References to Laws, Rules, Regulations and Management Decisions	Non-compliance
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a. Section 49 of the Pradeshiya Sabha Act No. 15 Of 1987	A survey had not been carried out identify illegal construction within the Council territory.
b. Pradeshiya Sabha (Financial and Administration) Rules - 1988	
i. Rule 214	Stock verification was not done.
ii. Rule 217	Although the Lands belonging to the Council should be allotted and timely records should be prepared, such had not been prepared.

## 02. Financial Review

## 2.1.1. Financial Results

According to the Financial Statements presented, the surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.6,967,366 as compared to surplus of revenue over recurrent expenditure of the preceding year amounted to Rs.8,889,000.

## 2.2. Revenue Administration

## 2.2.1. Estimated Income, Billed Income, Collected Income, and Arrears of Income

the details about the estimated income, billed income, collected income and arrears of income for the year under review and the preceding year is stated below.

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Assessment and Tax	2,269,540	2,812,020	2,674,918	756,897	1,819,540	2,294,621	1,599,210	1,284,895
ii. Rent	1,451,000	873,832	929,649	503,278	11,930,000	849,834	836,155	323,631
iii. Permit Charges	700,000	40,000	980,280	--	665,000	--	654,170	17,650
iv. Other Income	11,584,000	--	6,592,877	5,301,710	15,562,000	--	10,078,348	5,105,606
Total	16,004,540	3,725,852	11,177,724	6,561,885	29,976,540	3,144,455	13,167,883	6,731,782

## 2.2.2 Performance in Revenue Collection.

Billed income as at 31 December 2017 had been to Rs. 3.7 million while the collected income amounted to Rs.11.2 million. However, an income of Rs.6.5 million had been collected at the end of the year, and in comparison with the preceding year there was a decrease of arrears income by 2.5 per cent.

### 2.2.3 Rent

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By renting out lots of Land belonging to the Council given for the construction of shops at Ranhavadigama the income received from ten lessees amounting to Rs.121,000 in the years 2000, 2005 and 2006 were not accounted as income of the relevant years and kept in the deposits account.

### 2.2.4 License fees

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The following observations are made.

- a. An income of Rs.14,000 had not been earned by issuing trade license for 14 businesses of those should obtain the license for the year 2017.
- b. Action had not been taken to collect business Tax amounting to Rs.9,900 for the year 2017.

### 2.2.5 Other Income

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- a. Although a backhoe machine, a steamroller and the water bowser were rented out to external party, and the rental amounting to Rs.194,580 had not been collected even up to 31 December 2017.
- b. The Vehicle Rental due from the Ministry of Agricultural, Irrigation and Inland Fisheries of Uva Province amounting to Rs.37,446 had not been recovered.

### 2.2.6 Court Fines and Stamp Fees

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According to the financial statement Court Fines and Stamp Fees amounting to Rs.7,860,534 and Rs.4,200,000 respectively to be recovered from the Chief Secretary of Uva Provincial Council and other Authorities at 31 December 2017.

## 03. Operational Review

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### 3.1 Performance

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Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

#### a. Action Plan

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An action plan for the year 2017 had not been prepared by the Council in accordance with the By Law enacted.

b. Sustainable Development Goals  
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Due to the Council not being aware of 2030 agenda of purposes of Sustainable Development, long time plans for the global view of such purposes to enhance the living standards and health of the people living in the area of authority of the Council had not been initiated even up to 31 December 2017.

3.2 Human Resource Management  
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One Librarian post, one Technical Officer post and one Driver post were kept vacant.

3.3 Asset Management  
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3.3.1 Assets Not Taken Over  
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Although a land of 7.5 acres amounting Rs.9,281,250 owned by Hugo land estate planned to be taken over for Lunuwaththa City Development, yet action had not been taken to acquire the land to the council even at the end of the year under review.

3.3.2 Idle/ Under-Utilized Assets  
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Two cement block making machines valued at Rs.268,613 use for concrete block making project and the other machinery were idle since 2015.

3.4 Procurement  
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3.4.1 Procurement Plan  
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- a. A procurement plan for the year under review had not been prepared by the Council.
- b. Although as stated in Section 3:9:1 of the National Procurement Agency Procedure No.8 of 25 January 2006, when selecting community base organizations for construction of projects the selection of community-based organizations should be done by a committee consisting of three officers committee, 22 organizations were not selected by such a committee.

4. Accountability and Good Governance  
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4.1 Budgetary Control  
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It was observed that there were a considerable variation in the budgeted revenue and expenditure prepared by the Council for the year under review with the actual revenue and expenditure it was observed that there was a range of 01 to 81 per cent was observed in 06 items of income in comparison of budgeted income and actual income and a range of 02 to 71 per cent was observed

in 07 items of expenditure in comparison of budgeted expenditure and actual expenditure and as such the budget had not been used as an effective tool of management control.

4.2 Internal Auditing  
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An internal audit had not been conducted for the year under review.

4.3 Implementing of Audit and Management Committee  
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Audit and Management Committee had not been implemented in the year under review.

5. Systems and Controls  
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Deficiencies overserved during the audit had been furnished to the Council time to time and special attention is needed in the following areas of control.

System -----	Weakness -----
a. Accounting	i. Income, expenditure, ownership and liabilities were not identified properly ii. Accounts ledger balances and schedule were not reconciled. iii. Account Registers were not maintained
b. Current assets	i. Land, Building and some Fixed asset were not identified and accounted ii. Certain assets were idle. iii. Fixed Assets Register was not updated.
c. Stock Control	i. Final stock had not been calculate correctly.. ii. Stock control ledger were not maintained correctly.