

Udubaddawa Pradeshiya Sabha

Kurunegala District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 26 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Udubaddawa Pradeshiya Sabha as at 31 December 2017 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 were observed.

- (a) Two water bowsers totalling Rs.1,160,500 had been brought to account as machinery and equipment.
- (b) Two water tanks amounting to Rs.45,000 and sports equipment amounting to Rs.32,000 had been brought to account under land and buildings.
- (c) Twelve items of assets totalling Rs.571,680 had not been brought to account.
- (d) The land value of 53 cemeteries belonging to the Sabha had not been brought to account under fixed assets.
- (e) A fumigation machine provided to a Government Office as a donation amounting to Rs.180,000 had been brought to account as an asset even by the end of the year under review.

1.3.2 Unreconciled Accounts

Unreconciliations of Rs.8,575,443 was observed between the balances of 03 items of accounts shown in the financial statements and the balances of the respective subsidiary registers as at the end of the year under review.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

According to the financial statements as at the end of the year under review the value of the receivable accounts amounted to Rs.103,552,285, and a sum of Rs.54,086,277 out of that had remained in arrear for over a period of one year.

(b) Accounts Payable

According to the financial statements as at the end of the year under review the value of the balances of accounts payable totalled Rs.30,064,433 and a sum of Rs.9,370,941 out of that had not been settled for over a period of one year.

1.3.4 Lack of written evidence for Audit

Five items of accounts amounting to Rs.172,080,220 could not be satisfactorily verified due to non-availability of required information.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Pradeshiya Sabha Act No.15 of 1987	
(i) Section 154(1)	One per cent of selling price had not been recovered in dividing lands into allotments and selling while 01 per cent of estimated selling price only had been recovered.
(ii) Section 186	The development activities for land blocks had been carried out relating to 06 developments of housing properties of 23 acres 02 roods and 13.8 perches and had been sold without the approval of the Sabha but the Sabha had not taken legal action against the above activities.
(b) Pradeshiya Sabha (Financial and Administration) Rules 1988	
(i) Rule 5(6)	Action had not been taken to collect all revenue and other charges receivable to the Sabha during the due period.

(ii) Rule 218

All lands and buildings of the Sabha had not been investigated from the date of establishment of the Sabha up to now.

(c) Public Administration Circular No.30/2016 dated 29 December 2016. Internal repairs of 2 motor vehicles amounting to Rs.510,065 had been made contrary to the instructions of the circulars.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.33,295,405 as compared with the excess of revenue over recurrent expenditure for the preceding year amounting to Rs.21,387,478.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	3,391	4,481	3,888	1,800	2,193	3,908	3,035	1,472
(ii) Lease Rent	11,600	10,556	10,492	137	10,600	11,243	11,918	78
(iii) Licence Fees	768	567	567	-	808	1,219	1,219	-
(iv) Other Revenue	73,090	77,025	50,617	101,615	64,579	69,480	66,062	87,325
Total	88,849	92,629	65,564	103,552	78,180	85,850	82,234	88,875

Note: Recoveries of arrears for preceding years amounting to Rs.7,626,000 had included in the collected revenue in the year 2017.

2.2.2 Performance in Collection of Revenue

A sum of Rs.65.5 million had been collected out of the billed revenue in the year under review and the arrears of revenue for the preceding years amounting to Rs.181 million. Out of that a sum of Rs.7.6 million had related to the receipts of previous year. The receivable revenue amounting to Rs.88 million existed as at 31 December of the preceding year had increased up to Rs.103 million by 31 December of the year under review.

2.2.3 Rates and Taxes

Rates and Taxes, acreage tax and water charges amounting to Rs.1,839,003 had to be recovered as at 31 December of the year under review.

2.2.4 Lease Rent

The receivable trade stalls rent and lease rent as at 31 December of the year under review amounted to Rs.137,406 and action had not been taken to recover a sum of Rs.22,511 recoverable from the year 2011.

2.2.5 Licence Fees

Even though, a sum of Rs.768,300 had been estimated as licence fees in the year under review, the actual revenue amounted to Rs.566,995.

2.2.6 Court Fines and Stamp Fees

The court fines and stamp fees receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and the other authorities amounted to Rs.6,284,741 and Rs.68,667,268 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities, that should be carried out by the Sabha such as regularize and control over the matters of Public health, public utility services, public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) By-laws

Even though the by-laws should be imposed to execute 30 main purposes under Section 126 of the Pradeshiya Sabha Act, the by-laws had been imposed for only 16 purposes even by 31 December 2017.

(b) Non-execution of Expected Output Level

The following matters were observed

- (i) Even though, the estimates had been prepared to develop 06 roads from Rs.6,000,000 according to the 1,000 kilometers Road Development Programme

in Rural Areas – 2017 and the approval also had been obtained by May 2017, the development activities of 04 roads had not been commenced even by October 2017 and development of 02 roads is being implemented.

- (ii) Even though, according to Rural Roads Development Programme – 2017, the development activities of 05 regional roads should have been completed on or before 15 November 2017 out of Rs.8,948,357, those road development activities had not been commenced even by 10 October 2017.

(c) **Solid Waste Management**

Action had not been taken to utilize a bail machine when disposing bio degradable waste while that activity had been carried out under traditional method by employees labour using the foot to compact it. Further, no shelter was constructed to store those bio-degradable waste.

(d) **Environmental Issues**

Twenty three acres 02 roads and 13.8 perches in 06 lands had been developed as housing properties without being obtained the approval of the Sabha in the year 2017, and the Sabha had not make an evaluation on the environmental issues and effects resulting thereon.

(e) **Sustainable Development Goals**

The following matters were observed.

- (i) The Sabha had not aware in respect of the Sustainable Development Goals 2030 and as such action had not been taken to identify the Sustainable Development objectives and goals, to prepare plans relating to that, allocate provisions, identify the stake holders and to collect bench marks and data thereon.
- (ii) Action had not been taken to avoid the irregular developments of housing property which badly affected to the Sustainable Development objectives and goals.

3.2 **Human Resources Management**

The following matters were observed.

- (a) In recruiting for 02 posts of works Overseers, the accuracy of the certificate forwarded had not been confirmed through the institutions they awarded. The recruitment procedure of the Sabha and the basic qualifications relating to the post of works overseer had not been furnished to audit.
- (b) In awarding permanent posts according to the instructions of the Public Administration Circular No.25/2014 dated 12 November 2014, it was stated that the permanent appointments should be awarded relating to the substitute post recruited. Nevertheless,

the permanent appointments had been awarded for two health labourers (substitute) in the posts of works overseer.

- (c) The works overseer who deployed in the supervision works of 03 labourers in old office complex had not supervised the works properly.
- (d) According to the Approved Cadre Review Report of the Department of Management Services dated 01 January 2013, the appointing authority for the post of work overseer of category MN-01-2006/A is North-Western Provincial Public Service Commission. Nevertheless, the permanent appointments had been awarded by the Sabha to two works overseers who covering the duties in the Sabha.

3.3 Transactions of Contentious Nature

The estimates had been prepared in September 2017 for a sum of Rs.2,217,000 for 02 roads without the authority and the awareness of the Sabha in the year 2016 and was referred to the Department of Local Government to obtain provisions by producing incorrect information that 75 per cent of works had been completed.

3.4 Assets Management

3.4.1 Assets Not Transferred

Action had not been taken to transfer 02 motor vehicles utilized by Sabha and a playground and a playground and 44 general cemeteries.

3.4.2 Idle/ Under utilized Assets

The following matters were observed.

- (a) Even though, a van belonging to the Sabha had been repaired by incurring of Rs.1,283,845 in 04 instances in the years 2012, 2014 and 2016, that had not been in the running condition due to remaining lapses further. The revenue licence and insurance certificate for the vehicle had not been obtained and it was removed from running for a period nearly 03 years from 11 February 2015 and parked in the vehicle yard.
- (b) The sports equipment purchased for Kollupitiya Watta Children's Park by incurring Rs.504,878 on 24 December 2016 had remained idle without being taking action to fix those even by the end of the year under review.
- (c) Forty five asbestos sheets in a size of 8x4 feet and the concrete columns to be used in construction of the roof had remained idle for number of years.

3.5 Procurements

3.5.1 Procurement Plan

A procurement plan for the year under review had not been prepared in terms of Guideline 2.4.1 of the Government Procurement Guidelines.

3.5.2 Supplies and Services

The following matters were observed.

- (a) Even though, a sum of Rs.24,984 had been paid in June 2017 to publish advertisements in 03 newspapers to invite quotations to purchase a road roller without a plan in respect of expected utilization, the above purchase had not been made even by April 2018.
- (b) In calling quotations for purchasing of sports equipment for the Kollupitiya Watta Children's Park, it was stated to supply and to be fixed of above equipment but the payments of Rs.504,878 had been made to the respective firm without being fixed those equipment.

4. Accountability and Good Governance

4.1 Budgetary Control

A sum of Rs.59,333,519 had been incurred out of Rs.77,734,000 allocated for 08 Recurrent Objects and as such a sum of Rs.18,400,691 had been saved. Thirty three programmes had not been implemented totally within the entire savings.

4.2 Internal Audit

An adequate internal audit had not been carried out for the year under review. Even though, the reports had been issued in 04 instances only, those reports had not been furnished to the Auditor General.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls.

System	Observation
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(a) Accounting	(i) Failure to reconcile the control accounts.
	(ii) Failure to capitalize the assets
(b) Fixed Assets	(i) Not conducted of physical verifications in respect of land and buildings.
	(ii) Not updated the Register of Fixed Assets.
	(iii) Incorrectness of identified cost of land and buildings.

- (c) Revenue Non-recovery of arrears of revenue periodically.
- (d) Contract Administration Non-completion of construction works within due period.
- (e) Procurements Non-compliance of procurement activities with the laws and rules.