

Kadugannawa Urban Council
Kandy District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements of the year 2018 had been presented to the audit on the 29 March 2019 and the summary report of the Auditor General and the descriptive management report regarding the financial statements had been presented to the Chairman on 31 May 2019.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the paragraph of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Kadugannawa Urban Council as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

(a) Accounting Deficiencies

	Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i)	It had been missed a notice board charges amounting to Rs.67,500 from the financial statements.	It should be accounted correctly.	Action will be taken to charge in the year 2019.
(ii)	The creditors had been overstated by an amount of Rs.1,152,033	It should be accounted correctly.	Action will be taken to correct in the year 2019.
(iii)	The library book balance had been understand by an amount of Rs.258,139	It should be accounted correctly.	Action will be taken to correct in the year 2019.
(iv)	It had been accounted the value of Rs.175,000 of 10 compost barrel which had removed by the survey as at the end of the year under review and the toilet set worth of Rs.17,737	It should be accounted correctly.	Action will be taken to correct in the year 2019.

(b) Receivable and Payable Accounts

	Audit Observation	Recommendation	Accounting Officer's Commentary
(i)	The debtor balance which had elapsed a time of 3 years was amounting to Rs.827,599	Accounts should be taken to recover the receivable balances.	I reported that it will be collected by taking legal actions and prosecuted, conducting mobile service and informing relevant institutes.
(ii)	The total payable accounts balance which had elapsed a period of 3 year was amounting to Rs.1,181,166	Accounts should be taken to recover the receivable balances.	Some balance had paid. It will be paid in parts depending on the financial position of the Sabha.

1.4 Non-Compliance

1.4.1 Non-Compliance with Laws, Rules, Regulations and Management Decisions

	References To Rules and Regulations and Management Decisions	Non- Compliance	Recommendation	Accounting Officer's Commentary
(a)	Financial regulation 571 of Democratic Socialist Republic of Sri Lanka.	Action had not been taken to settled the deposit balance of Rs.774,531	Action should be taken according to the Financial Regulation.	Action will be taken to get these amounts to the income by examine the deposit registers.
(b)	Gazette of the Democratic Socialist Republic of Sri Lanka 1892 dates on 15, December 2014	An amount of Rs.553,000 had not been charged from 11 notice boards.	The charges should be recovered by conducting a survey regularly at the beginning of the year.	While it had been paid charges from several notice boards, Some boards had removed.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs.2,175,888 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,871,783

2.2 Revenue Administration

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

Details of Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue for the year under review and the previous year are as follows.

Source of Income	2018				2017			
	Estimated Income	Billed Income	Income collected	Total Arrears as of December 31 st	Estimated Income	Billed Income	Income Collected	Total Arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates Taxes	7,650,000	7,655,135	8,171,375	5,357,337	7,500,000	7,635,212	7,349,477	5,873,578
Rent	3,032,300	2,114,985	1,952,635	674,918	3,309,000	4,175,392	3,927,442	765,395
License fees	1,300,000	1,314,386	1,314,386	-	1,150,000	1,426,954	1,399,954	27,000
Other Income	2,585,000	2,798,655	2,232,409	1,015,961	2,826,000	911,428	1,914,595	736,238
Total	14,567,300	13,883,161	13,670,805	7,048,216	14,785,000	14,148,986	14,591,468	7,402,211

2.2.2 Performance in Revenue Collection

Audit Observation

Although the revenue that should be collected within the year under review was amounting to Rs.21,285,372 The performance of revenue collection was a percent of 64 due. The collection of the year was amounting to Rs.13,670,805

Recommendation

Areas revenue should be collected.

Accounting Officer's Commentary

Accept.

2.2.3 Rates and Taxes		
Audit Observation	Recommendation	Accounting Officer's Commentary
While the arrears rates as at the end of the year was amounting to Rs.5,357,337 it had a balance which to be received from 10 government entities amounting Rs.937,152 had been included there of.	Arrears revenue should be recovered.	I inform that the collection of arrears rates had been improved.
2.2.4 Shop Rent		
Audit Observation	Recommendation	Accounting Officer's Commentary
(a) It had arrears of Rs.573,918 which continuing from long from 21 shops.	Actions should be taken to recover the arrears Rents.	Accept.
(b) Weekly fair revenue which to be received from an continuing from the year 2008 amounting Rs.252,826 had to be received.	Actions should be taken to recover the arrears Rents.	Accept.
2.2.5 Court Fines and Stamp Fees		
Audit Observation	Recommendation	Accounting Officer's Commentary
An amount of Rs.211,332 of court fines and an amount of Rs.6,739,600 of stamp fees had been remained to receive end of the year under review.	Action should be taken to collect the revenue to the Sabha.	Accept.
3 Operational Review		
3.1 Performance		
Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort,		

convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 4 of the Urban Council act.

(a) By-Laws

Audit Observation	Recommendation	Accounting Officer's Commentary
Although it should to be imposed by-laws regarding performed main 15 matters accounting to the article 157 of the Urban Council act, It had been imposed by-laws only 14 Tasks.	Income should be generated by imposing the by-laws.	Accept.

(b) Abandoned Tasks

Audit Observation	Recommendation	Accounting Officer's Commentary
25 Industries which had allocated an amount of Rs.14,600,000 according to the Developing Project had not been performed.	Action should be taken to perform the Developing Plan.	When situation of urgent disasters and urgent repairs. So it could not be implemented this project. It should be implemented compulsory.

(c) Environmental Issues

Audit Observation	Recommendation	Accounting Officer's Commentary
The non-decaying waste had been dumped in to the land owned to the Sabha as harmful to the environment.	Waste should be disposed in a way which not harmful to the public and environment.	Accept.

(d) Sustainable Development Goals

Audit Observation

Recommendation

Accounting Officer's
Commentary

The index had not been recognized by the sabha to measure the progress of achieving them by identifying the sustainable development goals and objectives.

Action must be taken to achieve the sustainable development goals by identifying them.

Accept.

3.2 Management Inefficiency

Audit Observation

Recommendation

Accounting Officer's
Commentary

It had been lost revenue of Rs.1,290,000 due not giving the stall No.12 of the supermarket of the Sabha from the year 2011 by tendering. Even though it had tendered the 2 common toilets of the Sabha as a price of Rs.825,000 It could not been leased out.

Action must be taken to leased out the shops of the Sabha by assessing regularly by tendering.

The answer had not been received.

3.3 Human Resource Management

Audit Observation

Recommendation

Accounting Officer's
Commentary

It had 09 vacancies in 04 posts in the approved carder of the Sabha.

Actions should be taken to full fill the vacancies.

The answer had not been received.

3.4 Operational Inefficiencies

Audit Observation

Recommendation

Accounting Officer's
Commentary

The rate assessment had not been done after the year 2012.

Actions should be taken to recover the rate by assessing once in 05 years.

Although it had informed the Valuation Departments. The assessment had not been carried out.

3.5 Assets Management

3.5.1 Not-Performing the Maintenance and Repairs

Audit Observation

Recommendation

Accounting Officer's
Commentary

It had available the chances to illegal constructions and make residences since land of the Sabha by identifying their borders.

Action must be taken to the security of the lands of the Sabha.

Answers had not been received.

3.5.2 Idle and Underutilized Assets

Audit Observation

Recommendation

Accounting Officer's
Commentary

The motor vehicle worth of Rs.1,400,000 and the vibrating roller worth of Rs.7,967,144 had been parked without utilizing.

Action should be taken to get to use by repairing or disposed.

While the action are making for auctioning the motor vehicle which bearing the No.302-1522 and the vibrating roller had used in necessary locations.