

Udunuwara Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the audit on 23rd of July 2019, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the Chairman of the council on 18th and 21st October 2019 respectively.

1.2 Adverse Opinion

I am of the opinion that, hence the significance of the matters discussed in the basis for the adverse opinion section of this report, Financial statements do not give a true and fair view of the financial position of the Udunuwara Pradeshiya Sabha as at 31st December 2018 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Adverse Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The revenue under 3/81 revenue head, for the year under review had been understated by Rs.425, 240.	It should be accounted correctly	Correction will be made in preparing accounts for the year 2019.
(b) Tube well value in the year under review had been overstated by Rs.1,741,000.	It should be accounted correctly	Correction will be made in preparing accounts for the year 2019.
(c) In order to tally fixed assets account with source document, a land and building worth Rs.250,000 had been posted to suspense account.	It should be accounted correctly	Correction will be made in preparing accounts for the year 2019.
(d) The fixed assets purchased during the year under review, amounting to Rs.1,521,343 had not been accounted.	It should be accounted correctly	Correction will be made in preparing accounts for the year 2019.

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| (e) | When correcting the difference of opening balance in accounts and rates software, a sum of Rs.818,827 had been overstated. | It should be accounted correctly | Correction will be made preparing accounts for the year 2019. |
| (f) | A sum of Rs.45,998,433 had been adjusted to consolidated fund, in order to rectify the opening balances, without confirming properly and having formal approval. | It should be accounted correctly | Action will be taken to obtain relevant approval for the adjustment in consolidated fund. |
| (g) | The works creditors and expense (under expense head no: 304) at the end of the year under review, had been overstated by Rs.431,312. | It should be Accounted correctly | Correction will be made preparing accounts for the year 2019. |
| (h) | Since, the expenditure incurred for works of Sabha fund and works of external provisions were accounted twice, the aggregate expenditure had been overstated by Rs.5,195,624. | It should be Accounted correctly | Correction will be made preparing accounts for the year 2019. |
| (i) | The payment of works creditors had been overstated by Rs.1, 209,554. | It should be Accounted correctly | Correction will be made preparing accounts for the year 2019. |
| (j) | A sum of Rs.7, 417,360 of stamp duties received for the year 2014 in the years of 2014 and 2015, had been recorded under debtors by concerning them still as receivable stamp duties. | It should be Accounted correctly | Correction will be made in the year 2019. |

1.3.2 Non-Reconciled Accounts

Audit Observation

A difference of Rs.16, 180,842 was observed between the balances of 03 subjects in the financial statements and the balance of source documents.

Recommendation

Correction should be done in the accounts by reconciling the differences of relevant balances.

Comments of the Accounting Officer

Correction will be made in preparing accounts for the year 2019.

1.3.3 Suspend Account

Audit Observation

The credit balance of Rs.8, 995,776 of suspend account as at 31st December 2018, still had not been set off.

Recommendation

Suspense account should be settled immediately.

Comment of the
Accounting Officer

Correction will be made in preparing accounts for the year 2019.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Audit Observation

While the aggregate of accounts receivable that had elapsed the period of 5 years was Rs.9,693,432 and the total balance that had elapse the period of 01 to 05 years was Rs.59,802,918.

Recommendation

Action should be taken to recover.

Comments of the
Accounting Officer

The part of arrears was recovered and action will be taken to recover the remaining balance in 2019.

(b) Accounts Payable

The aggregate payable that had elapsed the period of 01 to 05 years was Rs.4,265,588.

Action should be taken to settle the payable balances.

Correction will be made in preparing accounts for the year 2019.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Non-Presentation of Information-----
Audit Observation

(a) The total amount of Rs.189,699,834 in relating to 16 items of accounts could not be satisfactorily verified in audit, due to the non-presentation of information such as, fixed asset register, files, source documents, receipts, inventory register and creditors register.

Recommendation

The evidences which verify the account balances in the financial statements should be presented.

Comments of the
Accounting Officer

Action had already been taken update the document, while, correction will be made in preparing accounts for the year 2019.

- (b) Since, the mismatch of Rs.123,659,729 occurred in the opening balance of 22 account subjects which had not been settled off, the accuracy of financial statement as at 01st January 2018 couldn't be verified in Audit. Opening balances should be settled correctly. Correction will be made in the year 2019.

1.4 Non-Compliance

Non-Compliance with Laws Rules, Regulations and Management Decisions

Non - Compliance with Laws Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987 Section 24	A registry which include list of all roads in Sabha, had not been maintained.	The Road inventory should be maintained correctly.	Updating process had been initiated.
(b) Pradeshiya Sabha (Financial and Administration) rules of 1988			
(i) Rule 59 and 67	A survey had not been carried out about the Industries, Trading businesses and Professions, Digital towers, and Hotels registered under tourism board.	It should be complying with the financial and administration rules.	Survey had been started.
(ii) Rule 218	A survey had not been carried out on the land and buildings and fixed assets registry had not been properly updated.	According to the rules, survey should be performed properly.	Surveys and updates have been started.
(c) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka	Without taking relevant measures, 223 deposits were	Should act as per the financial regulations.	It was decided to credit to council fund under an

- 571(3) deposited in general deposit account throughout 29 years of period. approval of council.
- (d) Provision of section ii in Slandered By-laws no 06 of 1952 . A survey on advertising board had not been carried out. Advertising fees should be collected, after performing a survey. Collection is done at present.
- (e) Other Circulars
- (i) Treasury circular No: IAI/2002/02dated,28th November 2002 A registry for Computer and computer accessories had not been maintained. Should act according to the circular. Action will be taken in future, as per the Circular.
- (ii) Local Government Commissioner Circular, Kandy, No: 2016/03 dated 17th March 2016 Section 04 The rent of 04 stall was being collected, not following assessment basis Rent should be charged based on assessment basis Since there is a property issues, action will be taken to resolve.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2018 amounted to Rs.1,372,964, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.41,190,418.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in arrears

The details of Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in arrears for reviewed year and preceding year are as follows.

Source of Revenue	Estimated Revenue	2018			Total Arrears as at 31 st December	2017			Total Arrears as at 31 st December
		Revenue Billed	Collected Revenue	Revenue Billed		Revenue Billed	Collected Revenue		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Tax	8,880,000	11,556,050	6,178,196	22,363,307	6,770,000	12,484,060	6,276,425	17,044,620	
(ii) Rent	1,672,680	931,070	829,920	291,031	1,473,000	1,280,180	1,205,740	800,262	
(iii) Licence fees	1,501,000	1,314,062	1,314,062	--	1,301,000	1,411,600	1,411,600	--	
(iv) Other income	33,424,662	37,161,240	7,699,180	69,340,774	29,000,000	32,857,590	38,963,237	15,584,440	
Total	45,478,342	50,962,422	16,021,358	91,995,112	38,544,000	48,033,430	47,857,002	33,429,322	

2.2.2 Rates and Tax

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Rates

A balance of Rs.21, 089,061 of rates was receivable at the end of the year under review.

Rates in arrears should be recovered.

Action will be taken to recover arrears balances.

(b) Acreage Tax

A receivable balance of Rs.245,796 at the end of the year had not been recovered.

Action should be taken to collect revenue.

Action will be taken to correct in future.

2.2.3 Court Fine and Stamp Duties

Audit Observation

Recommendation

Comments of the Accounting Officer

Receivable court fines and stamp duties as at 31st December 2018 was Rs.2,485,752 and Rs.66,844,522 respectively.

Relevant measures should be taken to collect due charges.

Action will be taken to correct in future.

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by Sabha as per the section 3 of Pradeshiya Sabha Act in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

(a) Non Implementation of Functions

Audit Observation-----
Even though, Rs.300,000 allocations was made for waste projects in the budget for the year under review, in order to set up filters in the garbage yard, such activity had not been fulfilled.-----
Recommendation-----
Allocations for the activities should be made through a proper feasibility study.-----
Comments of the
Accounting Officer-----
The expected function could not be implemented, due to public protest.

(b) Environmental Problem

Audit Observation-----
Without obtaining an environment licence for the year 2018, waste was being disposed to Kiriwawula garbage yard.-----
Recommendation-----
Waste disposal should be done accurately.-----
Comments of the
Accounting Officer-----
Required future actions will be taken, with the collaboration of Divisional secretaries.

(c) Sustainable Development Goals

Audit Observation-----
As per the circular No.NP/SP/SDG/17 dated 14th August 2017 of Ministry of National policies and economic activities, A plan had not been prepared in order to achieve sustainable development goals and targets-----
Recommendation-----
Plans should be prepared as per the circular.-----
Comments of the
Accounting Officer-----
Action will be taken to correction in future.

3.2 Management Inefficiencies

Audit Observation-----
(a) A balance of Rs.1,028,451 that identified in initial and final investigation carried-----
Recommendation-----
Action should be taken by carrying out relevant-----
Comments of the
Accounting officer-----
Action will be taken to recover the arrears

out with respect of financial irregularities taken place when collecting rates in the period of year since 2011 to 2015 , had not been recovered from relevant parties.

inquiries as per the financial regulations,

balances.

- (b) Without comply with section 119, of Pradeshiya Sabha act No: 15 of 1987, the weekly fair near Dawulagala library had been close down by Sabha, after the year of 2014.

According to the Act public activities should be performed.

Agreed with audit observation.

3.3 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) Employee Vacancies and Surplus

There were 14 vacancies within approved carder as at 31st December 2018.

Vacancies should be filled.

Part of vacancies was full filled and action will be taken to recruit other carder in future.

- (b) Employee Loan

A loan balance of Rs.154,184 was remained receivable from the year of 2011 to 2017 that need to be charged from 11 officers who transferred of, had not been recovered .

Employee loan in arrears should been recovered.

It had been informed by letters, and collection had also been done.

3.4 Assets Management

3.4.1 Asset Nor Registered

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though, Sabha had Rs.112,461,100 valued land and buildings, fixed asset registry had not been updated.

The value of assets should be recognized and recorded correctly.

A survey is carried out and, documentation will be done in future.

3.4.2 Idle or Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rs.374,501 valued 2235 items of plumbing accessories, remained at water item stores without utilizing for more than 10 years of period.	It should not be allowed, assets to be idle.	Water accessories had been stored in order to use whenever necessary for the repairing.
(b) 10 items of assets amounting to Rs.5,121,000 had been idle of underutilized, for 01 to 06 years of period.	Relevant action should be taken immediately.	Assets need to be placed auction, will be auctioned in future.
(c) A car had been parked in council area in the way of been decay.	Assets should be properly utilized.	Action had already been taken to hand over to chief secretaries' office.

3.4.3 Annual Board of Survey

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the Pradeshiya Sabha (financial and administration) rules 200, 25 items of equipment in Koshinna cemetery of Sabha and 18 items in Kiriwawula compost yard, had not been included to inventory.	Inventory registry should be updated correctly, as per relevant rules.	Inventory registry will be updated in 2019.
(b) Goodshad been recommended for disposal by the survey in the years of 2014, 2015 and 2016 had not been disposed.	Recommended goods for disposal should be disposed.	Disposal of these goods will be carried out in future by appointing a panel for disposal.
(c) According to a survey carried out in relation to the library books in 2018, any actions had not been taken regarding 201 books valued to Rs.43,065 which were not presented to the survey.	Relevant action should be taken with respect of under-books	05 librarian were informed that to issue a report. Accordingly future actions will be taken to collect.

3.4.4 Vehicle Utilization

Audit Observation

The ownership of 05 vehicles amounting to Rs.36,615,296 which were received in the years of 1995, 2014 and 2015 had not been acquired.

Recommendation

Action should be taken to acquire ownership.

Comments of the
Accounting Officer

Action will be taken in future to acquire ownership.

3.5 Procurement

3.5.1 Annual Procurement Plan

Audit Observation

Although a sum of Rs.11,869,092 of capital expenses were incurred, the procurement plan had not been prepared for the year under review.

Recommendation

A procurement plan should be prepared.

Comments of the
Accounting Officer

Action will be taken to correct in future.

3.5.2 Supplies and Services

Audit Observation

According to the specification related to purchase of tables and chairs for chamber, although the table in size of 2400x750x750mm need to be purchased, but 06 tables in the size of 2005x605x760 mm and 02 tables in the size of 1305x605x760mm had been purchased which was contrary to the specification. Rs.353,600 had been paid the private company with this regard.

Recommendation

Purchases should be made as per the accurate specification.

Comments of the
Accounting Officer

This has been discussed with the company to correct.

4. Accountability and Good Governance

4.1 Presented of Financial Statement

Audit Observation

According to Section 168 (i) Pradeshiya Sabha (financial and administration) rules of 1988, although the annual financial statements to be submitted to the Auditor General before 31st March 2019, it was submitted to the Audit on 23rd July 2019.

Recommendation

Action should be taken according to the relevant rules / circulars

Comments of the Accounting Officer

Answers had not been provided.

4.2 Audit and Management Committee

Audit Observation

Only 02 Audit and management committee meetings had been held for the year under review.

Recommendation

Committee meetings Should be held as per the circular.

Comments of the Accounting Officer

Audit and management committee meetings had been held in the date of 10.05.2018 and 10.08.2018.