

**Udapalatha Pradehiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the audit on 28th of February 2020, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the chairman on 27th May 2020 and 30th June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of my report, Financial statement gives a true and fair view of the financial position of the Udapalatha Pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Rs.330,277 of Court fines received for the year of 2018 in the reviewed year had been recognized as receivable court fines.	It should be accounted correctly	Corrections will be done in the year of 2020.
(b) Receivable stamp duties in the reviewed year had been understated by Rs.1,107,836.	It should be accounted correctly	It will be accounted by journal entries in 2020
(c) The difference of Rs.126,767 between the value recognized as industry creditors last years and the amount settled had not been accounted.	It should be accounted correctly	It will be accounted by journal entries in 2020
(d) Rs.70,400 worth of 02 steel cupboards purchased during the year had not been capitalized.	It should be accounted correctly	It will be accounted by journal entries in 2020
(e) Rs.654,700 amount of receivable advertising board charges had not been accounted.	It should be accounted correctly	It will be accounted in 2020

1.3.2 Non Reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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A Rs.244,855,474 difference was observed between the balance of 02 Items of account as per the financial statements and the balance of source documents.	Corrections should be made by reconciling the differences.	Corrections will be made when preparing the accounts in 2020.

1.3.3 Receivable and Payable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) <u>Accounts Receivable</u> The total value of accounts receivable that had been due for more than 05 year was Rs. 1,017,587 and for the period of 1 to 5 years was Rs. 293,677.	Relevant action should be taken to recover	Action will be taken to collect in future.
(b) <u>Accounts Payable</u> The total value of accounts payable that had been due for more than 05 year was Rs. 956,809 and for the period of 1 to 5 years was Rs.491,682..	Payable balances should be settled.	Action will be taken to settle in 2020.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Required documents and files for a total of Rs.496,010 in relating to 04 account subjects had not been presented for Audit	Evidences that verify the account balances in financial statement should be presented.	Action will be taken to correct in the year 2020.

1.3.5 Non Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-Compliance -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Establishments code of the Democratic Socialist Republic of Sri Lanka ----- Chapter XIX section 7.1	Action had not been taken to collect house rent and take over the possession of quarters from three retired officers.	It should be comply with the provisions of establishment code.	Action will be taken to collect rent and take over possession in future.
(b) Other Circulars ----- 1988 Pradeshiya Sabha (Financial and Administration) rules -----			
(i) Rule 217	As per the format 46 P:S: a registry on land and building of council had not been maintained.	Action should be taken according to the regulation mention in financial rules	Action will be taken to maintain a registry after the completion of asset survey.
(ii) Rule 218	A land and building survey had not been carried out in the reviewed year.	Action should be taken according to the regulation mention in financial rules	Reports will be prepared after the completion of Asset survey.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs.65,471,340 ,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.50,298,663.

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 Arrears of revenue for reviewed year and preceding year are as follows.

Revenue source	2019				2018			
	Estimated revenue	billed Revenue	Collected revenue	Total arrears as at 31 st December	Estimated revenue	billed Revenue	Collected revenue	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	2,454,709	2,363,786	2,287,868	4,355,086	6,117,000	2,917,135	2,992,084	2,405,485
(ii) Rent	5,694,561	4,027,193	3,912,775	2,289,560	3,703,200	3,647,760	3,203,395	2,177,225
(iii) Licence fee	2,352,750	2,027,068	1,964,668	312,000	1,955,100	1,856,875	1,687,675	--
(iv) Other income	33,985,750	29,172,637	76,273,568	6,215,168	37,857,500	32,685,098	12,686,564	53,268,554
Total	44,487,770	37,590,684	84,438,879	13,171,814	49,632,800	41,106,868	20,569,718	57,851,264

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
(i) A Rs.3,477,686 balance of rates had been due at the end of the reviewed year.	Due rates should be collected	Action will be taken to recover due rates.
(ii) An outstanding balance of Rs.52,861 from public properties had not been collected.	Action should be taken to recover arrears.	Action will be taken to rectify the incorrect bills and collect arrears in future.
(b) Acreage Tax		
An outstanding balance of Rs.64,219 at the end of the reviewed year had not been collected.	Acreage taxes in arrears should be collected.	Action will be taken to correct in future.
(c) Water Charges		
An outstanding balance of Rs.2,118,950 at the end of the reviewed year had not been collected.	Action should be taken to recover income in arrears.	Action will be taken to correct in future.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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Shop Rent -----		
A outstanding balance of Rs.1,983,840 at the end of the reviewed year had not been recovered.	Shop rent in arrears should be recovered.	Since there is a court case, action will be taken according to its decision.

2.2.4 Other Income

Audit Observation	Recommendation	Comments of the Accounting Officer
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Communication Pillar Income -----		
An outstanding balance of Rs.69,000 from 17 pillars at the end of the reviewed year had not been recovered.	Income in arrears should be recovered	Action will be taken to sue.

2.2.5 Court Fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
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Receivable court fines and stamp duties as at 31st December 2019, was Rs.422,560 and Rs.45,493,575 respectively.	Action should be taken to recover the 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 the 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) Functions not Performed Adequately.

Audit Observation	Recommendation	Comments of the Accounting Officer
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Rs.380,000 that was provided for 05 subject of expense for the reviewed year had not been utilized for relevant activities.	Provisions should be utilised for the objectives.	No comments.

(b) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The council has been implementing various functions for the benefits of the public in the area, but has not conducted an evaluation and follow up process on how far they are compatible with the sustainable Development Goals.	----- Sustainable development goals need to be followed up.	----- Action will be taken to correct in the future

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Action had not been taken to properly repair 07 inactive water sources and give benefits to public.	----- Action should be taken to develop water sources.	----- Future actions will be taken by carrying out a water survey immediately.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Employee Vacancies and Excess ----- There were 14 vacancies within the carder in the council as at 31 st December 2019.	Vacancies should be filled.	The approval had been asked for and action will be taken to recruit in future.
(b) Employee Loans -----		
(i) Rs.79,819 loan balance due from 09 employees since the year of 2014 had not been recovered.	Action should be taken to recover the loan amount.	It is difficult to take future actions, since information cannot be found.
(ii) Rs.273,969 of outstanding balance from two officers who retired in the reviewed year had not been recovered.	Action should be taken to recover the loan amount.	Action will be taken to recover in future.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Illegal Construction ----- Action had not been taken to remove a business premise which had been constructed illegally in the land of Pussellawa rest house.	Action should be taken in relating to illegal construction.	Legal actions will be taken in future.

(b) Deficiencies in Renting out of Property.

 42 land plots belongs to council had not been surveyed.

Lands should be surveyed.

After the completion of fixed asset survey, land survey will be implemented.

(c) Three-Wheeler Charges.

 A survey had not been implemented in relating to the three wheelers.

Survey should be implemented.

Corrections will be done in future.

3.5 Assets Management**3.5.1 Non-Documentation of Assets.**

Audit Observation

Recommendation

Comments of the Accounting Officer

 Rs.54,700,000 worth of 37 assets had been recorded the Fixed Assets registry, without confirming the legal title.

 Action should be taken to obtain ownership

 Relevant action will be taken after the survey.

3.5.2 Not Ensuring the Safety of Assets.

Audit Observation

Recommendation

Comments of the Accounting Officer

 As per the section 24(1) (b) in Pradeshiya sabha Act No:15 of 1987, the roads belong to sabha had not been published by advertisement after the year of 1998 and Road inventory had not been updated after the year of 2014.

 Action should be taken as per the regulation of Act.

 Action will be taken to update the road inventory and gazzete the road immediately.

3.5.3 Failure to Obtain Income due from Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

 Relevant action had not been taken to collect income from the business building that had been constructed illegally in the land belongs to Sabha at Paradeka public market in the year of 2009.

 Revenue from assets should be recovered.

 Action will be taken to enter in to agreement by obtaining an assessment from revenue inspector.

3.5.4 Idle or Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Pussellawa old office building was idle.	Assets belong to Sabha should be utilized.	Action will be taken to construct a security fence in future.
(b) A tractor, a tailor, a motor bicycle and a Crew cab had been idle for a period of 08 month to 10 years.	Assets belong to Sabha should be utilized.	While the tractor and tailor had been referred for repairs and relevant action is being taken to hand over the cab.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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Even though, Rs.33,755,779 worth of capital expenditure had been incurred during the year, a procurement plan for the reviewed year had not been prepared.	A procurement plan should be prepared.	Corrections will be done in future.

4. Accountability and Good Governance

4.1 Unresolved Observations and Unanswered Audit Queries

Audit Observation	Recommendation	Comments of the Accounting Officer
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2018 – 3.4 ----- Water samples in 19 community water projects and 14 water projects of sabha in the council area had not been tested and confirmed to be suitable for drinking.	A water sample test should be implemented.	Action will be taken to implement water sample tests.