

Ukuwela Pradeshiya Sabha

Matale District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements for the year 2019 were submitted for audit on 28 February 2020 and the Auditor General's summary report and detailed management audit report on those financial statements were sent to the Chairman on 31 May 2020.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the section 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 financial position of the Ukuwela Pradeshiya Sabha as at 31 December 2019 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Accounting Officer's Commentary
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(a) Library book donations of Rs.99,404 had not been capitalized.	Action should be taken to correct.	I accept the observation.
(b) The court fines for the year under review had been understated by Rs.975,333.	Action should be taken to correct.	I accept the observation.
(c) Creditors related to The upper floor construction project of the Sabha Office had been over accounted by Rs.567,660 and creditors related to the common market development project had been under accounted Rs.379,665.	Action should be taken to correct.	I accept the observation. I will take actions to correct it in the future.

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| (d) The value of 8 development proposals amounting to Rs. 303,667 which had not been fulfilled had been taken into account under the creditors. | Action should be taken to correct. | I accept the observation. I will take actions to correct it in the future. |
| (e) Creditors of election expenses had been over stated by Rs. 127,548. | Action should be taken to correct. | I accept the observation. |
| (f) The interest for the year on 4 fixed deposits had been under accounted by an amount of Rs. 727,692. | Action should be taken to correct. | I accept the observation. |
| (g) An employee loan balance of Rs. 26,274 which had settled in the year 2017 had been overstated. | Action should be taken to correct. | I accept the observation. |

1.3.2 Non reconciled accounts

 Audit observation

Recommendation

Accounting Officer's
 Commentary

It had been observed a difference of Rs. 10,080, 555 when compare the total amount of Rs. 144,486, 232 of 06 accounts subject stated in the financial statements with their relevant subsidiary registers and supporting documents.

Action should be taken to correct the account balances.

I accept the observation.

1.3.3 Accounts Receivable and Payable

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Accounts Receivable		
The total balance due for a period of 1 to 5 years was amounting to Rs. 336,596.	Actions should be taken to collect the receivable balances.	I accept the observation
(b) Accounts Payable		
The total outstanding balance for more than 05 years was amounting to Rs. 2,944,846.	Actions should be taken to settlement the payable balances.	I will take action to collect to the income an amount of Rs. 220,916 from public water poles / tube wells and Rs. 772,949 from public deposits.

1.3.4 Lack of written evidence required for the audit

Audit observation	Recommendation	Accounting Officer's Commentary
Required information for two accounting subjects amounting to Rs. 51,887,109 had not been submitted for audit. .	Documentation must be properly prepared.	I will prepare the sub-documents and submit them in the future.

1.4 Non-compliance

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

References To laws,rules, regulations and management decisions -----	Non-compliance -----	Recommendation -----	Accounting Officer's Commentary -----
Paragraph 10 of the Circular of the Commissioner of Local Government No. 2016/3 dated 17th March 2016	The persons who had leased 14 shops owned by the Council had been interim leased them out.	Circular instructions should be followed.	I will inspect and correct interim leases and instances where the tax right has been sold.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of expenditure over recurrent revenue for the year ending 31 December 2019 amounted to Rs.25,910, 046as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.36 ,726,210.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, collected Revenue and arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and of the previous year are as follows.

Source of revenue	2019				2018			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as at 31 December	Estimated Revenue	billed revenue	Revenue collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	804,366	802,921	657,685	703,459	812,344	801,677	887,287	529,138
Rent	750,000	750,000	705,800	-	750,000	750,000	771,845	-
License fee	3,832,000	3,315,965	2,391,380	48,967	3,102,735	3,066,876	2,024,139	53,555
Other Revenue	36,512,000	39,822,786	41,555,838	35,611,475	35,409,000	40,537,212	25,240,988	25,583,799
Total	41,898,366	44,691,672	45,310,703	36,363,901	40,074,079	45,155,765	28,924,259	26,166,492

2.2.2 Rates and Taxes

	Audit observation	Recommendation	Accounting Officer's Commentary
(a)	No action had been taken to recover Rs. 95,366 of arrears rates tax relating to 21 government properties which had coming from more than 05 years.	Deficit income should be recovered.	Government agencies have been informed in writing to pay the assessment tax.
(b)	The assessment made for 6258 assessment units at a cost of Rs. 1,153,397 in the years 2014 and 2015 had not been implemented.	Charging should be based on new assessment reports.	I will take action to levy assessment tax according to the new assessment From the year 2020.

2.2.3 Shop Rent

Audit observation	Recommendation	Accounting Officer's Commentary
(a) The outstanding shop rent arrears at the end of the year under review was amounting to Rs. 48,967.	Action should be taken to recover the arrears.	I will take action to recover the arrears.
(b) According to Section 5.1 of the Central Local Government Commissioner's Circular No. 2016/3 dated 17th March 2016, the rent of 45 stalls had not been revised every 5 years.	Agreements need to be updated.	I will obtain assessment reports and proceed to enter into new agreements.

2.2.4 Water Charges

Audit observation	Recommendation	Accounting Officer's Commentary
(a) The outstanding water charges balance at the end of the year under review was amounting to Rs. 1,780,189.	Action should be taken to recover the arrears.	I will take action to recover the outstanding water charges by operating and disconnecting mobile services.
(b) It was Failure to obtain details of arrears recovery from functional computer software regarding water revenue.	Action needs to be taken to fix the computer software.	The Department of Local Government has stated that it will provide new computer software, but has not yet received it.

2. 2. 5 Court fines and stamp fees

Audit observation

Recommendation

Accounting Officer's

Commentary

An amount of Rs.3 ,291, 639of court fines and an amount of Rs. 25,139, 647of stamp fees had been remained to receive as at 31 December of the year under review from the chief Secretary of the Provincial Council and other Authorities

Action should be taken to bring down the revenue due.

I will take action to bring down the arrears in the future.

3 Operational review

3.1 Performance

Following are the observations on the performance 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 3 of the pradeshiya sabha act.

(a) Delays in performing tasks

Audit observation

Recommendation

Accounting Officer's

Commentary

Fifteen industries which had entered to contracts to be carried out in the year under review with the estimated worth Rs. 2,334,100 from the sabha fund had not been implemented.

Proper monitoring should be maintained and action taken on breaches of contract.

I will complete all these development projects by June 2020.

(b) Solid Waste Management

Audit observation

Recommendation

Accounting Officer's
Commentary

Out of the 3 tons of garbage collected daily in the church area, about 1 ton of non-perishable garbage was buried in the church premises and a method of filling the soil was used and about 1 ton of decomposing garbage was used for compost production. The environmental license for the waste management project had not been obtained.

Disposal of waste should be done as per the instructions of the Central Environmental Authority and more attention should be paid to the production of organic manure.

. I produce about a ton of collected organic manure, bury about a ton of garbage dumped illegally on both sides of the road and prepare the landfill as per the instructions of the Environment Authority and taking actions obtain an environmental protection license.

(c) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's
Commentary

According to the 2030 Agenda for Sustainable Development Goals, the relevant tasks to achieve the targets had not been accomplished.

The Sustainable Development Goals need to be properly identified, planned and implemented..

I will work to implement the proposed programs and implementation programs within the target year 2030.

3.2 Management inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) Recurring income amount of Rs. 34,937,853 had been invested in fixed deposits without being utilized for regional development activities.	Recurring income should be used for regional development.	I will use the money invested in fixed deposits for effective development activities in the future.
(b) Out of 1352 applications received for the construction of buildings during the last 3 years, out of which 968 applications had been issued development permits. Certificates of Conformity were issued on 54 occasions but 384 approved applications were not followed up.	Certificates of Conformity should be issued and follow up action should be taken on applications for which approval has not been granted.	I will follow up on applications that have not been approved.

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) There were Employee loan interest which was unpaid for many years amounting to Rs. 560,776 and employee loan overdraft amounting of Rs.3,432.	Action should be taken to recover employee loan interest.	Officers and employees have been informed about the recovery of employee loans.
(b) No action had been taken to recover a loan balance of Rs. 273,692 due from 03 employees coming from many years.	Necessary action should be taken to recover the employee debt.	Employees are notified in writing to repay the loan. If not, I will take legal action in the future.

3.4 Assets Management

Idle/ Underutilized Assets

Audit observation	Recommendation	Accounting Officer's Commentary
(a) A motor grader machine provided by the Ministry of Provincial Councils and Local Government worth Rs. 5,000,000 In 2015 remained idle.	Arrangements should be made to transfer it to another government institution with requirements.	These areas are not required to operate the motor grinder machine and cannot be operated.

3.5 Informal Transactions

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Rs. 36,460 had been paid for food in the absence of general meetings or committee meetings or other functions or meetings.	Money should not be spent informally.	I accept the observation. A formal investigation has been initiated at the departmental level.
(b) Two mobile stalls constructed at a cost of Rs. 373,600 had become inactive according to the informal tender procedure.	Formal tender procedures should be followed.	The tender has been suspended due to a problem in deciding to award the tender to the tenderers residing near the garbage landfill site. I will work to re-tender.

3.6 Procurement

Supplies and Services

Audit observation	Recommendation	Accounting Officer's Commentary
Provisions of Rs. 30,000,000 had been provided for 12 development projects to implement development projects in Gramashakthi villages.		

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| (a) | In Terms of Rule 178 (2) (2) (e) of the 1988 Pradeshiya Sabha Rules, sufficient time had not been given to submit tenders. | The rules and regulations must be followed and the necessary action must be taken effectively. | Tenders could not be given sufficient time due to receipt of allocations on 15th September 2019, delay in approval of late estimates and delay in the approval process. |
| (b) | Six development projects worth Rs. 17,898,705 were organized and construction was handed over while one price was offered for each industry without comply with Section 3.4 of the Procurement Guidelines | The rules, regulations and guidelines must be followed in a transparent manner. | I would like to inform that contracts have been awarded to the contractors who applied as the contractors did not come forward. |
| (c) | Although approval has been granted for the implementation of 12 projects in the Gramashakthi villages, an amount of Rs.10,448,436 had to be diverted back to the Presidential Secretariat for three projects due to ineffective procurement. | It must be done efficiently and with due care. | The project could not be started due to non-submission of tenders for two projects, prevailing rainy weather and non-receipt of funds for the completed projects. |