

**Udubaddawa Pradeshiya Sabha  
Kurunegala District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2018 had been submitted to Audit on 29 March 2019 and the Summary Report of the Auditor General and the Detailed Management Audit Report relating to those Financial Statements had been sent to the Chairman on 31 May 2019.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion of this report, financial statements give a true and fair view of the financial position of the Udubaddawa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**  
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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Retention money amounting to Rs.82,737 which had been paid in the year under review, had been recorded under current liabilities.	Should be rectified.	It is informed that action will be taken to eliminate the said value from the final accounts of 2019.
(b) A difference of Rs.5,779,257 was observed between the balance according to financial statements relating to 04 Items of Accounts and balances of Schedules.	Action should be taken to reconcile the differences of relevant balances and to rectify them.	Action will be taken to look into the differences and to rectify the said balances.
(c) Evidence relating to 03 balances of accounts valued at Rs.136,557,398, had not been made available. As such, they could not be satisfactorily vouched in Audit.	Evidence confirming the balances of accounts shown in the financial statements, should be made available.	Documents will be corrected in future.

**1.4 Non-compliances**  
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**Non-compliances with Laws, Rules, Regulations and Management Decisions**  
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Instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Audit Observation</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Section 154(1) of the Pradeshiya Sabha Act, No.15 of 1987	Even though 1 per cent of the sales price should be recovered when selling allotted lands, only 1 per cent of the estimated sales price had been recovered.	Action should be taken in accordance with laws, rules and regulations.	It is informed that action will be taken later to notify the company to pay arrears of taxes relating to sales descriptions.
(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 Rule 218	All lands and buildings of the Sabha had not been inspected even once a year.	Action should be taken in accordance with Rules.	A Board of Survey had been appointed for the area of lands and buildings and action will be taken to rectify registers of lands and buildings according to accurate data obtained after surveys.

## **02. Financial Review**

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### **2.1 Financial Results**

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According to financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 had been Rs.27,297,032 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs.33,295,405.

### **2.2 Revenue Administration**

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#### **2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue**

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Details on the estimated revenue, billed revenue, collected revenue and arrears of revenue presented relating to the year under review and the preceding year are as follows.

		<u>Year 2018</u>				<u>Year 2017</u>			
Source of Revenue	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	3,826	4,244	3,984	2,208	3,391	4,481	3,888	1,838	
II. Rent	12,766	11,820	12,681	26	11,600	10,556	10,492	137	
III. Licence Fees	748	800	800	-	768	567	567	-	
IV. Other Revenue	18,629	30,207	30,207	69,548	73,090	77,025	50,617	86,262	
<b>Total</b>	<b>35,969</b>	<b>47,071</b>	<b>47,672</b>	<b>71,782</b>	<b>88,849</b>	<b>92,629</b>	<b>65,564</b>	<b>88,237</b>	

## 2.2.2 Court Fines and Stamp Fees

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Court fines and stamp fees as at 31 December of the year under review amounted to Rs.3,391,168 and Rs.57,952,358 respectively.	Action should be taken to recover court fines and stamp fees.	As there were non-reconciliations between the court fines sent by the Registrar of the Kuliyaipitiya Magistrate Court and the the court fines submitted by the chief Secretary's Office, it is informed that court fines recoverable since the year 2015 could not be recovered still.

## 03. Operating Review

### 3.1 Performance

In terms of Section 3 of the Pradeshiya Sabhas Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area are as follows.

## By- Laws

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) Action had not been taken to regularize activities of three wheeler parks and weekly fairs and to formulate by-laws relating to activities of non-vested and vested cemeteries and crematoriums and notice boards.	Action should be taken to enact by-laws for regularization of the said activities.	Action will be taken in future to formulate by-laws for regularization of activities of weekly fairs.
(ii) Legal action had not been taken relating to violation of by-laws relevant to house and property development.	Action should be taken in terms of by-law.	Instructions have been given to prepare according to accurate measurements by holding discussions with the the relevant party in instances in which problems have arisen relating to housing and property constructions.

### 3.2 Management Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken to vest 02 motor vehicles used by the Sabha, a sports complex and 43 public cemeteries.	Action should be taken for vesting.	It is informed that future action therefor will be taken by forwarding letters of reminders.

### 3.3 Human Resources Management

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Fourteen officers had been recruited, exceeding the approved cadre of the Sabha	Action should be taken to revise the staff.	It is informed that the approved cadre of the Department of Local Government has been attached to our institute and there are excess employees on the recruitment on 25/2014.

**3.4 Operating Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Despite not approving the land allotment plan relating to Mihijaya Village Phases I and II, by the Sabha, the land had been developed and made ready for sale.	Action should be taken in terms of By-law.	It is informed that the relevant company has been notified to discontinue the development activities during the unauthorized period.

**3.5 Idle/Underutilized Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Interlock Paving Block Project commenced and operated on the block of land adjoining the Kedayayawatte Solid Waste Centre land had been abandoned half way since the year 2015.	Action should be taken to make use of underutilized assets.	Action will be taken to recommence the works of the concrete blocks project.

**3.6 Procurements**

<b>Procurement Plan</b>		
<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A Procurement Plan had not been prepared for the year under review.	A Procurement Plan should be prepared.	Action will be taken to prepare same in future.

**04. Accountability and Good Governance**

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**4.1 Internal Audit**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An adequate internal control had not been carried out for the year under review.	An adequate internal control should be carried out.	It is informed that relevant audit activities could not be carried out properly due to assignment of other activities in addition to internal audit activities.