

Udapolatha Pradehsiya 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 29th of March 2019, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the chairman on 31st May 2019 and 30th June 2019 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 this report, Financial statement give a true and fair view of the financial position of the Udapolatha pradehsiya 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 Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) When accounting Non-current assets a sum of Rs.283,870,671 had been adjusted to consolidated fund	Actions should be taken to correct the accounts	The action will be taken to correct, when preparing final accounts for the year 2019.
(b) Expenditure had been under stated since the purchases made for general inventory amounting to Rs.1,691,850 in the year under review had been credited under expenditure head.	Actions should be taken to correct the accounts	Action will be taken to rectify such error in future.
(c) Capital grants received in the year had been understated by Rs.128,851.	Actions should be taken to correct the accounts	The action will be taken to correct, when preparing final accounts for the year 2019.
(d) Receivable advertising bill board Income at the end of the year, amounting to Rs.2,278,777 had not been accounted.	Actions should be taken to correct the accounts	10 institutions had already been sued against and actions will be taken to collect all income in arrears.

1.3.2 Un-Reconciled Accounts

Audit Observation

Recommendation

Comments of the
Accounting Officer

A differences of Rs.1,000,000 was observed when comparing the value of land and buildings with source documents.

Action should be taken to correct the accounts by reconciling the differences of relevant balances.

Answers were not provided.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Audit Observation

Recommendation

Comments of the
Accounting Officer

The aggregate of accounts receivable that had elapsed the period of 5 years was Rs.4,240,218.

Action should be taken to recover the receivable balances.

Although a requisition was made to the subject Minister in order to write off the shop rent in arrears that had been elapsed the period of 5 years, it was informed that not to do so.

(b) Accounts Payable

The work creditors' balance that had elapsed the period of 5 years was Rs.956,810.

Action should be taken to settle the payable balances.

Letters had been sent by informing the cash in hand in relating to the balances during 1 to 5 years.

1.3.4 Lack of Necessary Documentary Evidence for Audit

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

Recommendation

Comments of the
Accounting Officer

The aggregate of Rs.606,610 in relating to 04 items of Accounts could not be satisfactorily vouched in audit, due to non-presentation of relevant documents and files for Audit.

The evidences which verify the Account balances should be presented.

Answers had not been provided.

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 158(a)(b)	Actions had not been taken to recover the due charges by seizure and sale of movable and immovable property of the defaulter	It should be complied with Pradeshiya Sabha Act.	It had been informed the mobile programmes were conducted and actions are taken to seize the properties of defaulters thereof.
(b) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- FR - 104(4)	Any action had not been taken until the month of December 2018 to carry out an examination, in relating to an accident vehicle which occur in 2010	It should be complied with financial regulations	The necessary actions are being taken to carry out FR-104 examination
(c) 1988 Pradeshiya Sabha (Financial and Administration) rules of -----			
(i) Rule 218	A yearly survey of all Lands and buildings had not been carried out.	It should be complied with financial and administration rules	Action will be taken to carry out a yearly survey from 2019.
(ii) Rule - 59 and Pradeshiya Sabha Act No.15 of 1987 Section 150(1) & 152	A survey had not been carried out in relating to Industries, Trading businesses and careers in the council area.	It should be complied with financial and administration rules	The survey is already being implemented.

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| (d) | Circular no 22/1988 dated 17 th May 1988 of Local Government Departments. | The rates assessment that should be carried out once in 5 years had not been carried out after the year of 2005. | It should be complied with circulars | The valuation department had not been taken measure to issue new valuation. |
| (e) | The extra ordinary gazette notification No.1533/16 published on 25 th January 2008, with compliance to The National environment act No.47 of 1980 amended by the act of No.56 of 1988 and No.53 of 2000 and regulations imposed thereby. | The licences not been issued for 12 industries for which the environmental protection licence should be issued. | It should be complied with circulars | The survey of environmental licence has been carried out in 2018 |

1.5 Non-Supported Transactions by Considerable Authority

Audit Observation

Recommendation

Comments of the Accounting Officer

A value of Rs.150,360 of 03 creditors and Rs.10,000,000 of Stamp duties had been written off from the books of accounts, being non-compliance with section 182 in Pradeshiya Sabha Act No.15 of 1987.

Compliance to the section 182 Pradeshiya Sabha Act No.15of 1987.

It is guaranteed that such shortcomings will not be made again.

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.38,455,620 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.67,801,354.

2.2 Revenue Administration

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

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

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	6,117,000	2,917,135	2,992,084	2,405,485	3,534,000	1,969,320	2,009,921	4,414,656
(ii) Rent	3,703,200	3,647,760	3,203,395	2,177,225	2,935,000	1,986,504	1,929,696	774,983
(iii) Licence fees	1,955,100	1,856,875	1,687,675	--	2,000,150	1,629,090	1,629,090	--
(iv) Other income	37,857,500	32,685,098	12,686,564	53,268,554	27,400,000	60,325,325	41,098,472	41,784,343
Total	49,632,800	41,106,868	20,569,718	57,851,264	35,869,150	65,910,239	46,667,179	46,973,982

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
(i) A sum of Rs.2, 091,010 had not been recovered, Out of the arrears at the commencement and Rs.3,407,363 of total billed amount in the year.	The progress of collecting arrears income should be improved.	It is informed that the arrears income was being collecting in both areas through mobile service and seizure of property.
(ii) While the balance of arrears rates that elapsed the period of 5 years, as at 31 December 2018 was Rs.817,489.	Revenue in arrears should be collected.	Action is being taken to recover the arrears in both areas through mobile services and seizure of property.
(b) Water Charges		
Actions had not been taken to recover a balance of water bill amounting to Rs.82,145 that had elapsed from year 2005 from 240 unit in the sub office of the council area.	The progress of collecting arrears income should be improved.	Actions will be taken to recover arrears water charges in the sub office, area of the council in future.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Lease Rent		
(i) A sum of Rs.139,500 of lease rent from 11 stalls in Pussellawa public trade complex which were leased out for long term and the total of Rs.1,329,654 of arrears shop rent from sellers in temporary shops, in 2017 had not been recovered.	The progress of collecting arrears revenue should be improved.	Actions will be taken to recover arrears and mobile programmes are being carrying out.

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| (ii) | A sum of Rs.420,715 receivable from 63 persons and 5 stalls in the council area had not been recovered from more than 6 years. | Actions should be taken to recover arrears revenue. | Although, a justification report had been presented to the subject minister, by inquiring to write off such arrears, It had been reported that it couldn't be accomplished. |
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2.2.4 License Fee

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----	
(a)	Any action had not been taken to obtain the trade license by a party who rented out a sough house in the Council area.	Issuing of trade licence done systematically.	It is informed that actions will be taken to issue trade license for the year 2019.
(b)	As per the survey report in 2017, 355 advertising bill boards more than Rs.26,156 square feet in size had been recognized in the Sabhaarea but they had not been recorded.	Documents should be maintained in relating to all income.	Action will be taken to maintain documents from next year.

2.2.5 Other Income

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----	
(i)	Rs.816,000 of due water charges for many years in relating to 07 water projects had not been recovered.	Action should be taken to recover the income in arrears	A decision is taken with regards to these 07 inactive water projects after referring to the council.
(ii)	Arrears water charges of 14 active water projects amounting to Rs.1,239,000 had been elapsed from long period of time.	Action should be taken to recover the water charges in arrears	Actions will be taken to recover all charges in arrears, in future.

2.2.6 Court Fines and Stamp Duties

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Receivable court fines and stamp duties as at 31 st December 2018, was Rs.1,050,224 and Rs.52,218,330 respectively.	Actions should be taken to collect court fines and stamp duties in arrears.	Necessary action had already been taken to collect court fines and stamp duties in arrears.

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.

Non-Fulfilling of Activities

Audit Observation	Recommendation	Comments of the Accounting Officer
03 proposals valued Rs.5,000,000 that had been approved under the budget proposal in reviewed year, had not been implemented.	Implementation of proposals during the relevant period.	Actions are taken to carry out the proposal which couldn't be accomplished last year.
3.2 Management Inefficiencies		
Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the budget in 2018, the provisions had been made for the development of 36 roads by Sabha funds, as per the requisition made by community based societies, but 31 works had not been accomplished therein.	Action should be taken to implement development programs according to the budget.	05 proposals were accomplished in 2018, out of 36 proposals made by community based societies.
(b) The front office building that built up by incurring Rs.425,659 in 2014, had not been used for the aimed function.	Action should be taken to use buildings for aimed function.	Actions will be taken to provide intended service from frontoffice building to the public, before end of this year.
3.3 Human Resource Management		
Audit Observation	Recommendation	Comments of the Accounting Officer
There were 30 vacancies within the approved carder.	Action should be taken to fill the vacancies.	Actions had been taken to recruit employees on contract basis.

3.4 Operational Inefficiencies

Audit Observation

It had not been proven that the water distributed under 19 community water projects in the council area and 14 water projects of Sabha are suitable for consumption, through a sample water testing.

Recommendation

Action should be taken to carry out a sample water test, as per the Pradheshiya Sabha act.

Comments of the
Accounting Officer

Advice was given to carry out a Sample water test.

3.5 Asset Management

3.5.1 Assets Not Registered

Audit Observation

A fixed assets register in relating to machineries, furniture and fittings had not been maintained.

Recommendation

Documents should be maintained in relating to fixed assets.

Comments of the
Accounting Officer

Actions will be taken to maintain the inventory from 2019.

3.5.2 Non-Collection of Income Receivable from Assets

Audit Observation

- (a) Rs.315,695 of arrears rent income of 03 non- acquired government quarters had not been recovered for the year under review.

Recommendation

Action should be taken to acquire the assets belongs to Sabha.

Comments of the
Accounting Officer

all charges will be recovered legally, after acquiring such property to Sabha.

- (b) Any rent income had not been gained from 14 stalls in Pussellawa new trade complex for the year 2017 and 2018.

Action should be taken to collect income from assets belongs to Sabha

such income was lapsed for several years, since a court case is being judged currently.

3.5.3 Non-Acquired Assets

Audit Observation

- (a) During the year under review, action had not been taken to acquire 37 burial grounds belongs to Sabha

Recommendation

Action should be taken to acquire the assets belongs to Sabha.

Comments of the
Accounting Officer

Action will be taken to acquire burial grounds.

- (b) It was observed that there wasn't any Deeds or transfer orders in relating to 89 lands and buildings of Sabha.

Deeds or transfer orders should be obtained for legal ownership.

Actions will be taken immediately to obtain deeds.

3.5.4 Idle or Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) 05 tractors and trailers, 01 motor bike and 01 crew cab had been idle for the period of 08 month to 10 years.	It should not allow idle the assets of Sabha	Actions were taken to repair, auction or cancel the registration.
(b) 02 buildings worth Rs.4,420,000 had been underutilized since more than 03 years.	Action should be taken to utilize the buildings of Sabha effectively.	Actions will be taken for effective utilization, in future.
(c) A roneo machine valued Rs.262,199, 02 Photo copiers and Generator of which value is not recognized had been idle since more than 07 years.	Take necessary measures in relating to idle assets.	It is reported that the Roneo machine and 02 photo copier going to be auctioned and the generator had been sent for repairing

3.5.5 Vehicle Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
A method of obtaining fuel for the vehicle belongs to Sabha is done by the drivers themselves without having a regular supervision.	The process of Obtaining of fuel should be done systematically.	A program had been prepared to carry out the supervision under a supervisor.

3.6 Recognized Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs.50,881 of electricity and water bill in relating to the leased out stalls in Pussellawa trade complex, had been paid from the Sabha fund.	It should be complied with lease conditions.	Action will be taken to reimburse such water charges from shop owners.

3.7 Procurement

Procurement Plan	Recommendation	Comments of the Accounting Officer
Even though, capital expenditure amounted to Rs.32,777,803 were incurred by Sabha, A procurement plan had not been prepared for the year under review.	Procurement plan should be prepared.	Action will be taken to prepare procurement plan for next year.