

**Ududumbara Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 were submitted for audit on 28th March 2020 and the Summary report of Auditor General's on those financial statements has been forwarded to the Chairman on 26th May 2020 and the detailed management audit report on 30th May 2020.

1.2 Qualified Opinion

In my opinion, except for the effect matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of financial position of the Ududumbara 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

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Action had not been taken to assess and account the value of land and building owned to the Council.	Accounts should be prepared correctly	Correction will be made, when preparing the financial statements for the year of 2020.
(ii) The Land on which Community hall of Meemure is located had been accounted twice in two values as Rs.260,000 and Rs.948,367.	Accounts should be prepared correctly	Correction will be made in the final Account for the year of 2020
(iii) Provisions had not been made in the accounts for the Audit fees relevant to the year under review.	Accounts should be prepared correctly	Correction will be made in the final Account for the year of 2020

(b) Non-reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was a difference of Rs.250,100 between the balance of 02 items of account which amounted to Rs.9,150,891 in the financial statements and the balance of source documents.	Accounts should be prepared correctly	Some of balances are in the source documents and will be corrected in the preparation of the 2020 accounts.

(c) Contingent liabilities

Audit Observation

Recommendation

Comments of the Accounting Officer

As at 31st December 2019, 7 external parties had filed cases against the Sabha and 9 external parties had sued by the Pradeshia Sabha, the details of which had not been disclosed by the financial statements.

Contingent liabilities should be disclosed in the financial statements.

Correction will be made in the final Account of 2020.

(d) Accounts Receivable and Payable

Audit Observation

Recommendation

Comments of the Accounting Officer

(i) The balance of accounts receivable included Rs. 343,113 that had elapsed for a period of 1-5 years and Rs.1,475,305 that had elapsed for more than 5 years.

Action should be taken to recover Receivable balances.

They are the balances receivable from projects from 2012 and non-recoverable balances will be written off by inquiring the possibility of recovering.

(ii) The value of Industrial creditor at the end of the reviewed year was Rs.31,901,551 and out of them, the total balance that had elapsed more than 5 years was Rs.1,700,665 and the value that had elapsed the period of 1 to 5 years was Rs.623435.

Action should be taken to settle the balances.

The General Assembly has approved to write off Rs.1,054,315 which is not recoverable from this amount.

(e) Lack of Necessary Documentary Evidence for Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

Title deeds pertaining to lands valued at Rs.139,735,986 had not been submitted for audit

Evidences that verify the accounting balances in financial statement should be presented.

Deeds will be prepared and presented for the Audit after a valuation.

1.4 Non-Compliance

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) Public administration Circular No.07/2015 dated 26th March 2015.	Rs. 300,000 had been paid as a festival advance to 15 Members of the Council including the Chairman	Only public servants can pay the festival advance from the above circular.	Action has been taken to recover this amount
(b) Cabinet Memorandum on the introduction of a program to regulate three wheeler service of No NP/RTC/TR/CM/12/07 dated 5 th September. 2012	Action should be taken to regulate Three wheeler services.	Three-wheelers should be regulated and charged.	Action will be taken to regulate the Three wheeler service.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31st December 2019 amounted to Rs. 52,082,077, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 2,864,707.

2.2 Revenue Administration

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

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

Source of Revenue	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
(i) Rates and taxes	Rs. 2,300,800	Rs. 2,224,875	Rs. 2,088,887	Rs. 399,099	Rs. 1,322,000	Rs. 650,604	Rs. 1,518,749	Rs. 466,760
(ii) Rent	2,933,000	2,964,035	2,075,420	880,352	2,115,000	2,981,952	1,963,040	125,000

(iii)	License fees	471,000	503,000	348,100	338,200	890,000	1,149,950	1,166,200	411,900
(iv)	Other income	3,941,900	5,978,390	1,505,157	3,251,713	36,582,279	2,013,807	2,286,897	141,030
		<u>9,646,700</u>	<u>11,670,300</u>	<u>6,017,564</u>	<u>4,869,364</u>	<u>40,909,279</u>	<u>6,796,313</u>	<u>6,934,886</u>	<u>1,144,690</u>

2.2.2 Water Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
There was an arrears water charges of Rs.544,661 from the water consumers of the Council.	Action should be taken to recover the arrears.	Out of the outstanding amount of Rs.841,938, an amount of Rs.297,277 has been recovered so far.

2.2.3 Other income

Audit Observation	Recommendation	Comments of the Accounting Officer
There was a balance of Rs.48,451 which has not been charged for 5 years, by renting out the Tractors and Bowers.	Action should be taken to recover the arrears.	The parties from whom arrears to be collected had been informed.

2.2.4 Court Fine and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
Receivable court fines and stamp duties was Rs.35,000 and Rs.3,796,394 respectively.	Action should be taken to bring the relevant money to the Council.	I accept.

3. Operational Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by the Council 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) By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
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Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main matters but by-laws had been enacted for only four matters.	By-laws should be enacted to generate revenue	It was notified for future actions.

(b) Failure to Obtain the Expected Outcomes

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) An area of 4870 square feet of the Hunnasgiriya Multipurpose Building constructed at a cost of Rs.42,160,398 under the Pura Neguma Project had not been utilized.	Action should be taken to obtain the expected return on assets.	Although action was taken to generate income, it was failed. Hence it was decided to re-tender the building.
(ii) Even though it was intended to provide 320 water connection under the Ududumbara water project, which was constructed by incurring Rs.57,130,000 only 175 connections was provided and unfixed 145 meters had been handed over to the Council.	Action should be taken to provide planned water connections.	193 water connections were provided. Remaining water connections will be provided after considering the water capacity.
(iii) Rs.1,078,000 has been spent for the construction of a tube well near Kaluntenna College under the Grama Shakthi Village Development Project Implementation Program for the year 2019, but the beneficiaries were not provided with drinking water.	Beneficiaries should be provided with benefits	The bills have been prepared to get the money for this development proposal and it will be checked and paid when the payment is made.
(iv) Under the Gamperaliya - Accelerated Rural Development Program for the year 2019, Although, Rs.474,750 worth of work had been completed paid, for the Bambarabadda water project in Bambarabadda East, due to weaknesses in the plan the beneficiaries were not provided with drinking water.	Action should be taken to achieve the objectives through the project	No comments.

<p>(v) Under the Gamperaliya - Accelerated Rural Development Program for the year 2019, Rs. 1355,307 had been incurred for the Bambarabedda Devinnegama Pipe Water Supply Scheme, Bambarabedda East. During the inspection of this water project, the pipes attached to the tank were removed from the water pump and the water connection was provided to a single house and no action was taken to supply water to the community.</p>	<p>The project should be implemented</p>	<p>No comments</p>
<p>(c) Vacated Affairs ----- Under the Rural Development Project in Grama Shakthi Villages of the year 2019, Under the work item 03 of New Monastery Improvement Project at Popitiya Sri Abhinawarama Temple, Bills were approved for Rs. 719,047 to provide aluminum sheets of the gauge of 0.47 mm and fix in 324.48 cubic meters at cost of Rs.2216 per cubic meter, but this work had not been accomplished. The contract had not been finalized and had been abandoned at the risk of receiving cash.</p>	<p>According to the estimates, action should be taken to complete the contract and pay the contractor.</p>	<p>Bills have been prepared to bring the amount of this development proposal and payments will be made by inspecting at the time of payment.</p>
<p>(d) Solid Waste Management -----</p>	<p>Recommendation</p>	<p>Comments of the Accounting Officer</p>
<p>----- It had been incurred Rs.3,487,828 of cost in 2010, Rs.1,552,606 in the year under review for the Establishment of a Kovulgama Compost Yard, compost trench and warehouse and Rs.5,069,140 of cost from the years of 2012 to 2017 for the purchase of Machineries, it remained in the state of failure</p>	<p>----- Solid waste management should be formalized.</p>	<p>----- Compost production has already initiated.</p>

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
Sustainable Development Goals had not been adequately identified, and, have not been adequately addressed.	Sustainable Development Goals should be identified and action should be taken to achieve them.	Steps will be taken to achieve sustainable Development Goals with the 2021 budget.

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Employee Vacancies and Excess		
There were 22 vacancies for 12 posts.	Vacancies should be filled.	Action will be taken to recruit and report.

3.3 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Council had lost the correct revenue due to 207 unmeasured customers and 69 inactive customers charging a fixed fee of Rs. 150 / - from households and Rs. 200 / - from government agencies and businesses.	Action should be taken to install water meters and charge.	Action will be taken to install water meters and charge according to the relevant charging cycle.
(b) An amount of Rs.723,795 had been spent in 2019 to provide cement to low income families. Two beneficiaries were not given 14 bundles of cement worth Rs. 13,370 while three beneficiaries were given 6 bundles of cement worth Rs. 5,730 less. Six beneficiaries who provided 36 bundles of cement worth Rs. 39,105 had not acted in accordance with the objectives of the project	Material assistance should be provided under the supervision of officers and follow up.	566 bundles of cement were distributed and it was distributed through the hardware as there was no storage facility to store such a large stock. Action will be taken on direct monitoring in the future.

3.4 Asset Management

3.4.1 Failure to Obtain Income due from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Two vehicles and machinery valued at Rs. 25,616,323 provided to the Council in the year 2015 had not been utilized.	Action should be taken to make use of this machinery.	After recruiting the operators for this machine, it will be used for revenue generation work.
(b) Although the Tissa Attanayake Conference Hall was renovated in 2017 and 2019 at a cost of Rs. 52 million, its utilization was very low.	Action should be taken to increase the use of this hall.	Consumption is low due to the prevailing demand in the area. There are times when welfare has to be given away for free.

3.4.2 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
A tractor owned by the church was inactively parked in the office premises	Action should be taken to auction the assets to be auctioned	The non-performing assets are to be auctioned off.

3.5 Identified Losses

Audit Observation	Recommendation	Comments of the Accounting Officer
The Council had incurred a loss of Rs.91,494 due to two tenders being published without bidding for two vehicles owned by the Council.	Efforts should be made to avoid losses to the Council Fund.	The minimum bid has not been submitted as the bid may reduce the value requested.