

**Udunuwara Pradeshiya Sabha  
Kandy District**

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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to the audit on 22<sup>nd</sup> of May 2020, while the Summary report of Auditor General on these financial statements had been forwarded to the Chairman of the council on 10<sup>th</sup> July 2020 and the detailed management report on 17<sup>th</sup> of July 2020.

**1.2 Adverse Opinion**

I am of the opinion that, hence the significance of the matters discussed in the basis for the adverse opinion section of my report, Financial statements do not give a true and fair view of the financial position of the Udunuwara Pradeshiya Sabha as at 31<sup>st</sup> December 2019 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for the Adverse Opinion**

**1.3.1 Accounting Deficiencies**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The value of 05 items of land and building had been assessed but not accounted.	It should be accounted correctly.	Corrections will be made in the year 2020.
(b) 29 items of Land and buildings items valued at Rs.384,350 had not been accounted.	It should be accounted correctly.	Corrections will be made in the year 2020.
(c) The compactor which had not been formally handed over to the council valued at Rs.6,221,373 had been accounted as an asset.	It should be accounted correctly.	Corrections will be made in the year 2020.
(d) The payable balance to contractors had been overstated by Rs.134,282.	It should be accounted correctly.	Corrections will be made in the year 2020.
(f) A balance Rs.236,912 owed to 04 industries had not been accounted as Creditors.	It should be accounted correctly.	Corrections will be made in the year 2020.
(g) Rs.532,100 value of deposit relevant to 06 industries which fulfilled under external provisions had not been recognized as Debtors.	It should be accounted correctly.	Corrections will be made in the year 2020.

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| (h) | Creditor payments had been overstated in the financial statement by Rs.266,751.      | Payments to creditors should be recognized correctly. | Corrections will be made in the year 2020. |
| (i) | Fixed deposit interest had been understated by Rs.636,805.                           | Interest should be accounted correctly.               | Corrections will be made in the year 2020. |
| (j) | Rs.945,075 Receivable fixed deposit interest had not been presented in the accounts. | Receivables should be accounted correctly.            | Corrections will be made in the year 2020. |

### 1.3.2 Contingent Liabilities

#### Audit Observation

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Rs.146,754 of withholding tax charged by Bank of Ceylon had not been revealed in the accounts. .

#### Recommendation

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Relevant information should be revealed.

#### Comments of the Accounting Officer

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Action will be taken to correct Financial statements.

### 1.3.3 Non-Reconciled Accounts

#### Audit Observation

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There was a mismatch of Rs.18,113,176 between the value as per the account and source document in relating to 10 subjects of account.

#### Recommendation

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Differences should be identified and rectified.

#### Comments of the Accounting Officer

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Corrections will be made in 2020.

### 1.3.4 Suspense Account

While there was a credit balance of Rs.8,995,776 in suspense account as at 01<sup>st</sup> of January 2019 and this balance was set off against accumulated fund. With regards to this following observation were made.

#### Audit Observation

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- (a) Information related to the value of Rs.56,163,513 that had been debited and credited to suspense account through journal entries had not been provided for Audit.

#### Recommendation

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Suspense account should be corrected.

#### Comments of the Accounting Officer

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Action will be taken to correct in 2020.

- (b) The balance of suspense account valued at Rs.4,769,685 had not been presented in the statement of financial position.

Suspense account should be accounted correctly.

Corrections will be made in 2020.

### 1.3.5 Accounts Receivable and Payables

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. 8,987,411 and for the period of 1 to 5 years was Rs. 9,377,110.	Receivable balances should be recovered.	Letters had been sent and informed and action will be taken to recover in future.
(b) <u>Accounts Payable</u> The total value of accounts payable that had been due for 1 year of period was Rs.1,985,475.	Payable balances should be settled.	Payments other than general supply creditors had been paid.

### 1.3.6 Lack of Necessary Documentary Evidence for Audit

(a) <u>Failure to Submit Information</u> Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) At the end of the reviewed year, no evidence was presented to Audit regarding the contract debtor balance of Rs.15,686,985.	Required information should be maintained accurately.	The balance will be identified and corrected in future.
(ii) Required information for the 05 subjects of account of which total value was Rs.26,158,843 had not been presented for audit.	Required information should be maintained accurately.	The balance will be identified and corrected in future.
(b) <u>Non-Presentation of Paying Vouchers for Audit</u> Audit Observation	Recommendation	Comments of the Accounting Officer
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16 payment vouchers of which total value was Rs.482,692 had not been presented for Audit.	Paying vouchers for the transactions should be maintained accurately.	Action will be taken to present in future.

### 1.3.7 Non Compliance

#### 1.3.7.1 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)	Financial Regulation of the Democratic Socialist Republic of Sri Lanka ----- Financial Regulation 371 amended as per the Public finance circular No.03/2015 dated 14 <sup>th</sup> July 2015.	The advance of Rs.45,000 in value was held in the hand for a period of 04 month to 10 months.	Circulars should be followed.	Subject officers of Advance had been informed.
(b)	Other Circular -----			
(i)	Local Government Commissioner Circular, Kandy, No: 2016/03 dated 17th March 2016			
	<ul style="list-style-type: none"> <li>Section 05</li> </ul>	The Shop rent of 29 stalls in Dawulagala and Gelioya had not been amended.	Shop rent should be amended as per the Circular.	Action is being taken for the amendment.
	<ul style="list-style-type: none"> <li>Section 06</li> </ul>	No new agreements had been entered into by including the 2011 assessment of the Dawulagala Trade complex.	Action should be taken to enter into new agreements.	Action will be taken to correct in future.
(ii)	Volume No: 05/01/119 of Director General, Urban Development Authority dated 26 <sup>th</sup> February 1992 Section (1)	The officers who did not covered the 02 hour period and did not confirmed their participation in the planning committee were paid an amount of Rs. 84,400 as planning committee allowance.	Allowances should be paid in correct manner.	Action will be taken to correct in future.

### 1.3.8 Transactions were not Confirmed with Considerable Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A value of Rs.1,893,000 had been recognized as general supply creditors, without having an approval of Council.	Adjustment should be done under a formal approval.	The approval of honourable governor had been asked for.
(b) Rent in arrears worth of Rs.65,814 had been written off to the accumulated fund without having an approval.	A correct approval should be taken.	Action will be taken to approve the accurate arrears balance lists.

## 2. Financial Review

### 2.1 Financial Result

According to the financial statement presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2019 amounted to Rs.8,766,539 , and as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,372,964.

### 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 Revenue in arrears for reviewed year and preceding year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Arrears as at 31 <sup>st</sup> December	Estimated income	Billed income	Collected in come	Arrears as at 31 <sup>st</sup> December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	7,857,000	11,015,758	3,720,238	24,838,169	8,880,000	11,556,050	6,178,196	22,363,307
(ii) Rent	2,270,680	361,280	334,910	184,054	1,672,680	931,070	829,920	291,031
(iii) Licence fee	2,552,000	2,181,345	2,181,345	--	1,501,000	1,314,062	1,314,062	--
(iv) Other income	64,228,000	62,219,535	754,054	55,224,034	33,424,662	37,161,240	7,699,180	69,340,774
Total	76,907,680	75,777,918	81,446,997	80,246,257	45,478,342	50,962,422	16,021,358	91,995,112

### 2.2.2 Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Rates -----		
(i) It was unable to satisfy about the accuracy of the arrears balance of assessment tax presented in the financial statements at the end on the reviewed year valued at Rs.24,838,169, due to the reasons such as the discovery of a financial irregularity that occurred during the period from 2011 to 2015 in collection of assessment revenue, and the revenue inspectors stated that the facts pertaining to those financial irregularities were still being disclosed in the field and the assessment in arrears balance of Rs.1,028,451 which identified in preliminary and final inspection had still been presented as assessment tax fraud account in the financial statement for the year under review and this balance remained for last year was not settled.	Relevant action should be taken and arrears should be recovered.	Action will be taken to recognize the correct balance in future.
(ii) Assessment tax receivable from government institutions, amounting to Rs.248,184 had been due for long period of time.	Arrears should be recovered.	Letters had been sent to relevant institutions to recover the arrears.
(b) Acreage Tax -----		
Acreage taxes in arrears amounting to Rs.245,796 had not been recovered.	Right action should be taken.	Correct balances will be identified and recovered in future.

### 2.2.3 Other Income

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Three Wheeler Charges -----		
Out of the estimated Three wheeler charges amounted to Rs.1,500,000, only Rs.26400 worth of income had been collected.	It should be act as per the Estimate.	It had been informed that the situation was resulted due to lack of revenue inspectors.

## (b) Advertising Board Income

Audit Observation	Recommendation	Comments of the Accounting Officer
Rs.532,600 of receivable income from 25 advertising board had not been collected.	Advertising board income should be collected.	Action will be taken to correct this year.

2.2.4 Court Fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
Rs.15,357,540 of court fines and Rs.37,793,424 of stamp duties had been due from chief secretary of local government and other authorities as at 31st December 2019.	Receivable balances should be recovered.	Part had been received and action will be taken to recover the remaining.

3. Operational Review3.1 Performance

Following matters were revealed with regard to duties to be fulfil by the council 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) Inadequately Performed Function.

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The expected income of Rs.500,000 by renting out the backhoe was not earned.	Action should be taken to earn the estimated revenue.	No answers
(ii) 140 out of the 202 building application approved during the year 2019, had not been followed up on the new construction status.	A proper follow up process needs to be implemented.	Subject officers and field officer had been informed.

(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 evaluated and follow up on how far they are compatible with the sustainable Development Goals	Sustainable development goals need to be followed up.	This subject will be formally assigned to an officer and take actions to correct it.

### 3.2 Human Resource Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Employee Vacancies and Surpluses -----		
There were 15 vacancies and one excess employee at the end of the reviewed year.	Action should be taken to fill the vacancies.	Recruitment had been suspended and after receiving the approval recruitment will be implemented.

### 3.3 Operational inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to carry out a survey on Acreage taxes and bill after the year 2015.	Future action should be taken after carrying out a survey.	Revenue inspectors had been informed.
(b) According to the urban Development authority act No 41 Of 1978 amended by No.04 of 1982 an No 44 of 1984, No action had been taken regarding the identified unauthorized constructions.	Required action should be taken as per the Act.	Subject officers had been informed to take future action.
(c) Three-Wheeler Charges -----		
A Three wheeler survey had not been implemented for the reviewed year.	The survey should be implemented.	This situation was resulted due to lack of revenue inspectors and action will be taken to correct in future.
(d) Shortcomings Related to Property Leasing -----		
(i) While a monthly rent had been charged from the pottery shop behind the Gelioya bus stand without obtaining an assessment report, and Rs.84,800 rent due for the year 2019 had not been charged	New assessment should be implemented and arrears should be recovered.	The Transport board has been informed to confirm the ownership.



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| (ii)  | 02 rooms in Alpiti- Kanda library building belong to the council had been given to carry on a Grama Niladhari office and post office, without obtaining assessment report and entering into an agreement. | Assets should be transfer correctly.                                | Relevant measures will be taken in future.              |
| (iii) | The office of the Gram Niladhari and Development officer located in the library building at Alapalavala had been rented out without obtaining assessment report and entering into an agreement.           | It should be entered into agreement correctly.                      | Action will be taken to enter into agreement in future. |
| (iv)  | Dalwatiya Community hall tea nursery had been leased out since 2013 without any agreement and assessment report.  | Action should be taken to enter into agreement and recover arrears. | Action will be taken to recover arrears.                |

### 3.4 Assets Management

#### 3.4.1 Idle and Underutilized Assets

##### Audit Observation

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As at 31 December of the year under review, 10 Motor vehicles worth of Rs.17,721,100 remained idle.

##### Recommendation

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The vehicles should be referred for repair or other relevant action.

##### Comments of the Accounting Officer

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It had been decided to be auctioned off in the board of survey of 2019

#### 3.4.2 Vehicle Utilization

##### Audit Observation

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As per the Section 3.1 of Public administration circular No:30/2016 dated 29<sup>th</sup> December 2016, Fuel consumption test had not been carried out for 09 Motor vehicles owned to the council.

##### Recommendation

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Fuel consumption test should be implemented according to the relevant circulars.

##### Comments of the Accounting Officer

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The superintendent of work has been informed to take necessary action.

### 3.5 Informal Transaction

##### Audit Observation

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Although no provision had been made under the budget for the payment of telephone allowances for the year 2019, a sum of Rs.205,076 had been incurred under another expenditure vote.

##### Recommendation

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Expenditure should be borne only under the allocated provisions.

##### Comments of the Accounting Officer

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No Answers.

**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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(a) 2018 – 1.4(c) -----	It should be act as per the financial regulation.	Values will be identified and credited to the revenue.
Without taking relevant measures, as per the financial regulation 571(3) of the Democratic Socialist Republic of Sri Lanka, 223 deposits worth of Rs.450,826 had been held in general deposit account for 29 years.		
(b) 2018 - 3.4.2(a) -----	Assets should be used without allowing them to become idle.	Part of the stock has been auctioned off and the rest of the equipment will be put to use.
2235 plumbing fixture items worth of Rs.374,501 remained idle in the water store for more than 10 years.		