

Udubaddawa Pradeshiya Sabha
Kurunegala District

01. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented for audit on 27 February 2020 and the Summary Report of the Auditor General on those financial statements on 17 June 2020 and Detailed Management Audit Report on 22 July 2020 have been sent to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Udubaddawa Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) There was a difference of Rs. 2,442,485 among the balances in 03 financial items shown in the financial statements and the balances in the relevant schedules.	Actions should be taken to compare and correct the changes in the relevant balances.	It is informed that the actions will be taken as soon as changes are found.
(b) Certificates of title and updated registers of fixed assets in respect of 05 accounting items valued at Rs.157,862,974 had not been submitted to audit.	Evidences confirming the account balance shown in the financial should be presented.	It is informed that all fixed assets documents on lands and buildings, furniture and equipment and vehicles have been updated.

1.4 Non-compliances

1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

References to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendation	Comment of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 154(1)	Although 1 per cent of the selling price should be charged when selling plots of land only 1 per cent of the estimated selling price had been charged.	The balance of lease should be recovered as per the sales report.	Actions will be taken to submit the sales details provided by the institutions to the Revenue Inspector and to recover the arrears if there is 1 per cent lease receivable to the Sabha .
1988 Pradeshiya Sabha (Financial and Administration) Rules			
(i) Rule No.5(6)	Actions had not been taken to collect all the revenue and other charges receivable on time.	Actions should be taken to recover the arrears income.	Red notices, property bans, etc. have been carried out legally to recover the revenue and it is informed that the actions will be taken to recover other income as well legally in future.
(ii) Rule No.218	All lands and buildings of the Sabha had not been verified at least once a year.	Lands and buildings should be surveyed.	There is a provision of Rs.800,000 for laying new wires around Sabha lands. One hundred thousand rupees has been allocated for the maintenance of Sabha lands.

02. Financial Review

2.1 Financial Results

The income over the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs.30,524,374 and the corresponding income over the recurrent expenditure of the preceding year was Rs. 27,297,032 as per the financial statements presented.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Income Collected Income and Arrears Income

The information on estimated income, billed income, collected income and arrears income submitted pertaining to the year under review and for the preceding year are shown below.

Source of Income	<u>Year 2019</u>				<u>Year 2018</u>			
	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I. Rates and Taxes -10	4,155,000	4,449,854	3,994,856	2,568,465	3,826,000	4,243,838	3,929,859	2,113,468
II. Lease Rent - 20	12,093,200	11,949,049	11,951,499	24,011	12,766,000	11,820,172	11,931,117	26,461
III. License fees -30	843,050	1,256,605	1,256,605	-	747,550	800,030	800,030	-
IV. Other Income - 40,50,60,70	92,508,450	88,932,213	101,838,839	62,468,755	72,951,650	79,681,990	102,980,349	69,641,885
Total	109,599,700	106,587,721	119,041,799	65,061,231	90,291,200	96,546,030	119,641,355	71,781,814

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
Out of rates and acreage tax arrears receivable as at 31 December of the year under review Rs.2,201,647 and Rs.60,383 respectively had to be recovered furthermore by 26 June 2020.	Actions should be taken to recover the arrears.	It is informed that the actions will be taken to recover the remaining arrears.

2.2.3 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
Court fines and stamp fees receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities were Rs.2,654,137 and Rs.51,030,600 respectively.	The arrears should be recovered.	It is informed that the requests are made from time to time from the Chief Secretary of the Provincial Council and requests have been made regarding stamp duty and court fines as at 31 March 2020 finally and the money is being received accordingly.

03. Operating Review

3.1 Performance

(a) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
Although by-laws had to be enacted to meet 30 key issues under Section 126 of the Pradeshiya Sabha Act, By-laws had not been enacted as required by the Sabha.	By-laws should be enacted in accordance with the new subjects.	The enacted by-laws have been adopted by the Sabha and the new by-laws has not been set by the Sabha. Actions are being taken to regularize three wheeler parks as per the approved by-law of parking, for billboards as per advertising/visual environment under the by-law of advertising/visual environment and By-Laws relating to cemeteries for cemeteries By-Laws relating to cemeteries .

(b) Solid Waste Management

Audit Observation	Recommendation	Comment of the Accounting Officer
Arrangements had been made to dispose of the collected garbage in the open space behind the Kandayawatta Garbage Separation Building without segregation.	Garbage should not be disposed of openly.	The works on the non-perishable garbage storage building is being completed by now and it is informed that the actions will be taken to install the bale machine and hand over the non-corrosive material to the Inci Agency in future.

(c) **Sustainable Development Goals**

Audit Observation	Recommendation	Comment of the Accounting Officer
Although the programmes had been planned with the view of sustainable development goals, targets, success indicators and year-end progress had not been measured.	Sustainable Development Guidelines should be followed.	But it is informed that it is intended to identify the Sustainable Development Goals, Targets and Indicators in the 2021 Budget Statement and to measure progress accordingly.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Although building application approvals, non-acquisitions, issuance of certificates, repair of street lights, felling of dangerous trees, compliance and issuance of certificates and other such service objectives were displayed under the Citizenship Charter due to the fact that service delivery processes are not designed to achieve those goals there were the opportunities where desired output level not achieved.	Plans should be made to achieve the goals set out in the Citizens' Charter.	Although the goals of the Citizens' Charter were stated, it is informed that the efforts are being taken to get the service done on the same day whenever possible .
(b) Even though a three storied building had been constructed in the year 2007 in front of the new Sabha office in Udubaddawa town violating the approved building limits, so far the Sabha had not taken any legal action. All three floors	Efficient and fair procedures should be followed with regard to unauthorized constructions.	It is accepted that all the facts pointed out by the audit are true. This is an event that has been going on for as long as 12 years. The Local Government Department is investigating the matter. The current owner of the building has been informed that the

of the building had been constructed and being used at present and a certificate of conformity had also been issued on 09 June 2015 for the unauthorized construction.

certificate of conformity issued in respect of the 2007/72 building plan has been canceled with effect from 03 March 2020 as per the recommendation of the aforesaid investigation report. It is also informed that more than 95 per cent of the information, has been answered as inquired by the Information Act so far.

(c) A 02 storied building was being constructed in violation of building boundaries on the divided land in Kaju Gahamula Hena, Dummalasuriya, Palugamuwa. As a result of construction of unauthorized parts which did not conform to the approved plan, the water from the nearby road had totted up and created an environment conducive to dengue mosquitoes.

Effective actions should be taken against unauthorized constructions.

Accordingly, it has been informed by the Letter No. 04/08/49 dated 13 January 2020 that the unauthorized constructions should be removed within 14 days of receipt of the letter . Since there has been no response so far, it is informed that the actions will be taken to take steps to refer to the next Monthly General Assembly and obtain approval in this regard and take legal action.

(d) Out of the account balances receivable as at the end of the year under review there were a sum of Rs.25,083,780 from 01 year to 03 years and a sum of Rs.4,602,074.

Actions should be taken to recover the balances receivable further.

It is informed that the actions will be taken to recover the arrears.

(e) Out of the balance of accounts payable as at the end of the year under review there were a sum of Rs.1,022,146 for a period from 01 to 03 years a sum of Rs.409,040 for more than 03 years and a sum of Rs. 1,431,960 for which no age analysis could be found.

Actions should be taken to settle the balances payable.

Creditors for less than a year have been paying and releasing and it is informed that industrial creditors are also being paid and released accordingly. Further, it is also informed that payments are still being made by now for deposits according to their age analysis.

3.3 Human Resources Management

Audit Observation	Recommendation	Comment of the Accounting Officer
----- There were 19 vacancies and 03 excesses at the end of the year under review,	----- Actions should be taken to fill the essential vacancies and to formalize the excesses.	----- Although the requests have been made to provide employees for the vacant posts, those services have not yet been provided due to staff shortages.

3.4 Assets Management

3.4.1 Assets not Acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Arrangements had not been made to take over a motor grader valued at Rs. 145,400 and a crew cab valued at Rs. 60,600 .	----- Arrangements should be made to take over.	----- Relevant letters have been submitted to the Ministry to take over this motor grader and crew cab in the year 2018.

3.4.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- (i) There were a water bowser and a tractor trailer remained but the value was not specified as at the end of the year under review.	----- Arrangements should be made for effective use or other appropriate course of action.	----- Since these trailer and the water bowser had become unusable, actions are being taken to obtain the observations of the Mechanical Engineer to repair it and make it usable.

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| (ii) | The building that had been constructed for the interconnected concrete stone yard remained dormant. | Arrangements should be made for effective use or other appropriate course of action. | It is informed, that it is expected to survey the area where the project is located, prepare a plan and to lease out in future. |
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3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
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A Procurement Plan for the year under review and a procurement schedule to support it had not been prepared in accordance with Procurement Guidelines 2.4.1 .	Master Procurement Plan and a time table should be prepared.	It is informed that the Procurement Plan has been prepared only up to June 2019.