

Kadugannawa Urban Council  
Kandy District

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1. Financial- Statements

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1.1 Presentation of the financial statements

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The financial statements of the year 2019 were submitted for audit on 31 March 2020 and the Summary report Auditor General on those financial statements had been forwarded to the Chairman on 20 May 2020 and the detailed management audit report on 30 May 2020.

1.2 Qualified Opinion

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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 Kadugannawa Urban Council 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 the Qualified Opinion

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(a) Accounting Deficiencies

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	Audit Observation	Recommendation	Comment of the Accounting Officer
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(i)	08 houses worth of Rs.7,000,000 which constructed by the Lion's club during the year under review had not been accounted as donations.	It should be accounted correctly.	I inform you that corrections will be made when preparing the financial statements for the year 2020.
(ii)	Action had not been taken to assess and account the Kadugannawa fair and 7 government houses owned by the council	It should be accounted correctly.	I inform you that corrections will be made when preparing the financial statements for the year 2020.
(iii)	The creditor's had been over accounted by Rs.858,000.	It should be accounted correctly.	I inform you that corrections will be made when preparing the financial statements for the year 2020.
(iv)	Court fines and stamp duty for the year under review had not been accounted on an accrual basis.	Accounting policy requires accounting on an accrual basis.	It had been accounted on the basis of schedules received for the year.

(b) Accounts payable  
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Audit Observation  
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Recommendation  
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Comment of the Accounting Officer  
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The sum of 6 account balances payable was amounting to Rs.16,297,777 and out of which the balance of accounts which had elapsed 1-3 years was amounting to Rs.4,955,038 and more than 3 years was amounting to Rs.624,450.

Action should be taken to settle the balance due.

Some balances have been paid. I inform you that payments will be paid in instalments depending on the financial situation of the council.

1.4 Non-compliance  
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Non-compliance with Laws, Rules, Regulations and Management Decisions  
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Refer to laws, rules, regulations, and management decisions  
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Non-compliance  
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Recommendation  
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Comment of the accounting Officer  
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- (a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 571 (3) Action had not been taken regarding 59 overdue deposits worth of Rs.928,546. Action should be taken in accordance with Financial regulations.
- (b) Circular No. 5/2010 of the Commissioner of Local Government dated 24 November 2010 A person had been recruited as the Coordinating Officer who had not completed his educational qualifications and Rs.49,500 had been paid as salary. Appointments should be awarded in accordance with the circular instructions. Kindly inform that appointments have been given after confirming the educational qualifications.

2. Financial Review  
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2.1 Financial - Results  
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According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2019 amounted to Rs.458,299 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,175,888.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Deficit Revenue

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

Income source	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 <sup>st</sup> December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 <sup>st</sup> December
	Rs.	Rs.	Rs	Rs	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	7,655,000	7,700,593	4,517,460	4,957,474	7,650,000	7,655,135	8,171,375	5,357,337
(ii) Rent	3,611,500	3,586,600	3,127,941	821,954	3,032,300	2,114,985	1,952,635	674,918
(iii) Licence fee	1,535,000	1,540,976	1,532,476	36,000	1,300,000	1,314,386	1,314,386	-
(iv) Other income	7,450,000	3,556,111	370,511	5,666,022	2,585,000	2,798,655	2,232,409	1,015,961
	<u>20,251,500</u>	<u>16,384,280</u>	<u>9,548,388</u>	<u>11,481,450</u>	<u>14,567,300</u>	<u>13,883,161</u>	<u>13,670,805</u>	<u>7,048,216</u>

### 2.2.2 Rent

#### Audit Observation

At the end of the year under review, there was a rent arrears of Rs.749,127, out of which the long term outstanding arrears of 17 shops were Rs.290,469, while the arrears of four shops in the old trade mall were Rs.151,369 which had remained during the year 2007 to 2013.

#### Audit Observation

Action should be taken to recover arrears of shop rent.

#### Comment of the Accounting Officer

It was reported that despite efforts to seal it, it was unable to do so due to the sudden outbreak of the COVID 19 epidemic

### 2.2.3 Court Fines and Stamp Duty

#### Audit Observation

The court fines and stamp duty due were Rs.161,832 and Rs.904,200 respectively.

#### Recommendation

Action should be taken to bring the relevant money to the council.

#### Comment of the Accounting Officer

It has been informed that the request has been made from the Provincial Council.

3. Operational Review  
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3.1 Performance  
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Following are the findings of Section 4 of the Urban Council Ordinance on the regulation and control of matters relating to public health, public utility services and public roads, and the performance of the duties of the council in the, convenience, wellbeing and welfare of the people.

(a) By-Laws  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Under Section 157 of the Urban Council Ordinance, by-laws had to be imposed to fulfil 15 main matters but by-laws were enacted only for 14 matters.	Action should be taken to earn revenue by imposing by-laws.	Accepted.

(b) Solid Waste Management  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
It was observed that due to the failure to identify a proper place for garbage disposal the matter could be erring for disposal of garbage.	Action should be taken to manage waste properly.	Land belonging to the Land Commission is being identified and acquired.

(c) Sustainable Development Goals  
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Audit Observation -----	Audit Observation -----	Comment of the Accounting Officer -----
Sustainable development goals have not been adequately identified and have not been take actions in this regard Adequately.	Should identify the Sustainable Development Goals and take action to achieve them.	It has been informed that the Sustainable Development Goals will be planned and the projects will be identified and implemented in several phases.

### 3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) An income of Rs.1,362,000 had been deprived due to the closure of a shop in the supermarket owned by the council from the year 2011.	It Should be applied suitable methodology for earning income.	Due to the location of the shop, no buyer has offered to buy the shop.
(b) Without obtaining an assessment report 37 plots of land owned by the council had been leased out annually on the decisions of the council.	Actions should be taken to assess and lease lands.	It has been informed that taxes are paid annually on the assessment of the Revenue Inspectors.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Recommendation Comment of the Accounting Officer
There were 12 vacancies in 07 posts.	Taking action to fill vacancies.	Recruitment is currently suspended under government law. Recruitment will be done as soon as the rules are lifted.

### 3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
According to the assessment of rates for the year 2012, the assessment had been charged up to the year 2019.	The Valuation Department should be informed in writing and action should be taken to obtain the assessment.	I would like to inform that this work has not been completed by the Valuation Department despite the request made in the year 2017.

### 3.5 Asset Management

#### 3.5.1 Non-Acquired Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
No action was taken to the over the Kadugannawa Public Toilet Complex even though the council incurred renovated cost of Rs.1,020,000.	Land should be acquired and construction should be done.	It is not an asset of the council so the... maintained only by the sabha.

### 3.5.2 Failure to Carry out Maintenance and Repairs

Audit Observation	Recommendation	Comment of the Accounting Officer
Action had not been taken to modernize the new shopping complex and provide facilities to the lessees and customers.	Should maintain shopping complex to attract customers.	The General Assembly has decided to construct a new plan as the maintenance is not effective.

### 3.5.3 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
The single drum vibrating roller value of Rs.7,967,144 and value Rs. 1,400,000 car owned by the council were parked without using.	Should be utilized maximally.	The Provincial Councils and the Ministry of Local Government have been informed that this asset is an underutilized asset and the House has been informed that the 302-1522 car will be repaired and utilized as there are no vehicles.

### 3.6 Un-economic Transactions

Audit Observation	Recommendation	Comment of the Accounting Officer
Procurement advertisements were also published for mutton and beef stalls which were not awarded tenders and cost of Rs.30,590 incurred by council for correct the above procurement Audit assessment.	Advertisements should be published only for the properties for which tenders are awarded.	Advertisements were issued for the leasing of stalls in popular newspapers, after which there was a huge outcry from the locals and the clergy, who informed that the advertisement was revised as this situation could lead to a protest.