

**Ganga Ihala Korale Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the audit on 28th of February 2020, while the Summary report of Auditor General on the financial statements had been forwarded to the chairman on 21st May 2020 and the Detailed management report on 30th June 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of my report, Financial statement gives a true and fair view of the financial position of the Ganga Ihala Korale Pradesiya 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

1.3.1 Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) The value of new divisional council building had been over stated by Rs.457,500.	It should be accounted correctly.	Corrections have been made.
(b) The value of Cab had been understated by Rs.160,000	It should be accounted correctly.	Corrections will be made in the year 2020.

1.3.2 Non-Reconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a difference of Rs.65,199 between 02 Items of account and the balance of source documents.	Differences should be reconciled and corrected.	Corrections will be made in the year 2020.

1.3.3 Receivable and Payable Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Accounts Receivable</u> The total value of accounts receivable that had been due for more than 05 years was Rs.105,114 and for the period of 1 to 5 years was Rs.1,065,015.	Action should be taken to recover receivable balances.	Part of the balance had been recovered and action will be taken to collect the balance.

(b) Accounts Payable

The total value of accounts payables that had been due for more than 05 year was Rs.82,142 and for the period of 1 to 5 years was Rs.1,826,348.

Payable balances should be settled.

Part had been settled and balance will be paid in future.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

The Deeds and Transfer orders for 03 items of lands and buildings valued at Rs.77,122,268 had not been presented for Audit.

Evidence that verify the account balances in financial statement should be presented.

Action will be taken to correct in 2020.

1.3.5 Non Compliance**1.3.5.1 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) 1988 Pradeshiya Sabha (Financial and Administration) rules

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A land and building survey had not been carried out and reports had not been prepared.

Relevant rules should be followed.

The survey is being implemented and action will be taken to obtain report after the completion

(b) Financial Regulation of Democratic Socialist Republic of Sri Lanka.

F.R. 571(02)

Action had not been taken to credit Rs.5,403,582 valued deposits that elapsed for 02 years.

Financial regulation should be followed.

Future actions will be taken by informing relevant parties..

2. Financial Review**2.1 Financial Performance**

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs.20,688.111 ,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.15,466,363.

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 Arrears of Revenue for reviewed year and preceding year are as follows.

Revenue source	Estimated revenue	2019			2018			Total Arrears as at 31 st December
		billed Revenue	Collected revenue	Total Arrears as at 31 st December	Estimated revenue	billed Revenue	Collected revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,276,000	3,200,819	2,928,850	993,625	2,136,000	2,330,256	2,431,826	1,422,113
(ii) Rent	6,172,000	7,492,886	7,032,537	723,390	5,419,000	4,467,906	4,530,665	512,524
(iii) License fees	785,200	1,013,141	1,128,859	560,700	1,220,200	1,324,116	1,326,912	351,200
(iv) Other income	65,956,815	57,920,030	46,089,542	15,441,695	57,029,965	48,126,720	35,348,790	27,637,147
Total	75,190,015	69,626,876	57,179,790	17,719,410	65,805,165	56,248,998	43,638,193	29,922,986

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
Rs.861,731 of Outstanding balance at the end of reviewed year had not been collected.	Action should be taken to collect assessment taxes.	Action will be taken to collect arrears in future.
(b) Acreage Taxes		
Rs.92,723 of Outstanding Acreage taxes at the end of the reviewed year had not been recovered.	Action had not been taken to recover acreage taxes in arrears.	Charging was problematic as acreage taxpayers could not be found.

2.2.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
Shop Rent		
Rs.631,994 of outstanding revenue at the end of the reviewed year had not been recovered.	Shop rent in arrears should be recovered.	Necessary actions will be taken to collect in future.

2.2.4 Court Fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Receivable court fines and Stamp duties as at 31 st December 2019 was Rs.681,332 and Rs.12,745,386 respectively.	----- Court fines in arrears should be recovered.	----- Relevant institutions had been informed and action will be taken to recover immediately.

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfill 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) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- During the year under review, waste recycling building had been constructed at cost of Rs.2,665,440 but recycling activities had not been commenced.	----- Action should be taken to utilise assets.	----- Re-cycling activities will be started in January 2020.

(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 should be followed up.	----- Action will be taken to carry out Follow up procedures prepare reports.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Although, compromise of both parties should be there in entering into agreement with external parties, the Chairman and Secretary had signed the agreement prepared by the selected company on 22 August 2014 when purchasing the computer Software.	----- Agreements with external parties should be formalized.	----- Action will be taken to enter into a new agreement in the year 2020.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Employee Vacancies and Excess ----- There were 06 vacancies within the carder/approved work force for the year under review.	Approved work force should be filled.	Action will be taken to recruit.
(b) Employee Loans ----- Outstanding loan balance of Rs.240,700 due from transferred woman officer had not been recovered.	Action should be taken to recover the loan	Action will be taken to recover in future.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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06 water projects in the area of authority had been inactive.	Maximum benefits should be taken from water schemes.	Relevant information will be presented to the subject Ministers and future action will be taken.

3.5 Assets Management

3.5.1 Non- Implementation of Repair and Maintenance

Audit Observation	Recommendation	Comments of the Accounting Officer
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04 auctioned land plots worth of Rs.7,915,750 had not been developed for the needs of community.	Action should be taken to get maximum use of assets.	Action will be taken to develop in future.

3.5.2 Non-Acquired Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Action had not been taken to take over the fixed assets which documented and valued at Rs.75,235,788.	Action should be taken to take over the assets.	Action will be taken to take over after a survey.

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|-----|---|--|---|
| (b) | Athgala trade complex building that was constructed by spending Rs.10,556,354 had not been recognized as a fixed asset. | Fixed assets should be recognized correctly. | It will be corrected in the year 2020. |
| (c) | No action had been taken to take over the land of Athgala and Kurunduwatte trade complex. | Lands should be taken over formally. | Future actions will be done to take over. |

3.5.3 Idle or Under-Utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Rs.302,540 worth of vehicles belongs to Council had been idle.	Assets belongs to the council should be utilized.	Action will be taken to auction and take relevant action.
(b) The Concrete Mixing machine purchased in the year 2007 value of Rs.185,000 has been idle.	Assets belongs to the council should be utilized	Relevant actions will be taken to Auction.

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 - 2.2.2(a)(iii) ----- 117 assessment units to be charged assessment tax had not been identified at present.	Assessment units should be recognized correctly.	Valuation department had been informed and future actions will be taken.
(b) 2018 - 3.2(c) ----- Rent income of 10 leased lands by the council had not been revised since the year 2007.	Rent income should be revised regularly.	Valuation Department had been informed and they had not taken relevant action.
(c) 2018 - 3.2(d) ----- Action had not been taken to obtain an income from Athgala weekly fair which belongs to the Council.	Action should be taken to obtain income from weekly fair.	It will be rented out in future.