

**Minipe 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 21st of April 2020, while the summary report of Auditor General on the financial statements and detailed Management report had been forwarded to the Chairman of the council on 23rd May 2020 and 31st May 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of the financial position of the Minipe 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) The debit balance of Rs.44,137 in the Advance account, had been presented as a Credit balance.	It Should be accounted correctly.	Action will be taken to rectify the error.

(b) Non Reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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There was a difference of Rs.238,285 between the total amount of Rs.51,666,689 in relating to 04 Items of account in the financial statements and the balance of source documents.	Account should be corrected by reconciling the difference in relevant balances.	Corrections will be made next year by looking into these differences.

(c) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The total value of accounts receivable for the period of 1 to 5 years was Rs.10,008,523 and the total value of balances that had elapsed more than 5 years was Rs.5,214,491.	Action should be taken to recover the receivable balances.	Rs. 612,545 had been recovered, Out of the balance for the period of 1 to 5 years, and action will be taken to recover receivable balances.
(ii) The total value of accounts payable for the period of 1 to 5 years was Rs.5,179,475 and the balance that had elapsed more than 5 years was Rs.2,459,906.	Action should be taken to settle the payable balances.	Rs.646,598 had been settled Out of the balance for less than 5 years, and action will be taken to settle and write off the payable balances by taking approval.
(d) Lack of Necessary Documentary Evidence for Audit		

Audit Observation	Recommendation	Comments of the Accounting Officer
Transfer orders to verify ownership, files and documentary evidences in relating to 4 account subjects valued at Rs. Rs.124, 303,547 had not been presented for Audit.	Evidences that verify the balances in financial statements should be presented.	I accept. Evidences will be presented in coming year.

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) Pradeshiya Sabha Act No.15 of 1987.			
(i) Section 126	Rs.57,125 charges from 2 advertising boards had not been collected.	Action should be taken to carry out the survey at the beginning of the year and collect income	Relevant charges are collected and informed for the Audit.

(ii) Section 149	Up to 1 percent of license fee had not been charged on the Accounts submitted to tourist board by Gurulupotha rest house	Revenue should be collected on the Accounts presented to the tourist board.	1 percent had been charged on the Report of a Chartered accountant. Those instructions will be followed after notifying them in the Audit.
(b) Section 16(2) of National Audit Act No: 19 of 2018.	A Performance report had not been presented with the Annual financial statements.	The Performance report should be presented.	I accept.
(c) Local government Commissioner's Circular No: 2018/04 dated 24th April 2018	2 Vehicles of Council had been repaired for the value of Rs.562,021, without having approval of Secretary of the Ministry.	The Approval should be obtained prior to the repair.	It had been referred for the approval of the secretary of the Ministry.
(d) Section 2:4:3 and 2:8:1 of Procurement guideline.	While the Engineer in Local government had not participated to the Technical evaluation committee of purchasing sports equipment worth of Rs.2,361,036 for the children park, and Any officer who is knowledgeable at the technical evaluation had not participated.	Officers appointed to the Technical evaluation committee should be present.	Only the Accountant participated on behalf of the department of Local Government.

2. Financial Review

2.1 Financial Result

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.14,316,477 ,as compared with the corresponding amount for the preceding year amounted to Rs.6,860,375.

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 Revenue 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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	1,365,804	1,381,450	785,727	595,723	1,332,892	1,332,892	929,810	403,082
(ii) Rent	4,845,222	5,128,148	1,613,208	3,514,940	3,280,589	3,919,412	2,338,827	1,580,585
(iii) License fees	2,233,725	2,009,579	1,963,229	46,350	2,510,000	2,312,897	2,312,897	-
(iv) Other income	3,979,500	6,790,184	4,190,464	2,599,720	5,624,041	32,838,739	31,305,060	1,533,679
	12,424,251	15,309,361	8,552,628	6,756,733	12,747,522	40,403,940	36,886,594	3,517,346

2.2.2 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The receivable balance of Rs.103,500 from the building which was rented out to carry on court complex in Hasalaka town had not been collected from the year 2001.	Action should be taken to recover the rent in arrears.	I accept.
(b) A rent of Rs.81,949 due from two persons by renting out the Sand port, since 01 st July 2008 to 31 st December 2008 had not been recovered.	Action should be taken to recover the rent in arrears.	I accept.
(c) The rent amounting to Rs.839,834 from 4 stalls situated in market road, Hasalaka public market had been due as at 31 st December in the year under review.	Rents due should be collected in a timely manner. .	The cases have been dismissed. Action is being taken to take over the possession.
(d) An amount of Rs.543,999 had been due from 4 stalls in Pallewatte public market. A court case has filed to recover the shop rent of Rs.110,523.	Rents due should be collected in a timely manner.	The cases have been dismissed. Relevant Action is being taken to take over the possession.
(e) As at 31 st December in the year under review, a shop rent of Rs. 5,273,827 had been due from 20 stalls in Hasalaka trade complex .	Act in accordance with the agreement and charge a fee.	A case has filed to take over the possession.
(f) There is a Rs.113,250 rent in arrears due from the lottery stall in the ground floor of clock tower situated at Hasalaka town since 2016.	Action should be taken to recover this amount.	It had been informed to assess and re-enter into agreement.

2.2.3 Court Fines and Stamp Duties

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Receivable court fines and stamp duties was Rs.20,931,160 and Rs.651,650 respectively.	Action should be taken to bring relevant money to the council.	Action will be taken to bring quickly.

3. Operational Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by 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 -----
Even though by laws should be enacted to fulfill 30 major matters, as per the 126 section of Pradeshiya Sabha Act, By laws had been enacted only for 13 matters.	Action should be taken to enact By-laws and collect income.	I accept.

(b) Failure to Obtain Expected Out Comes

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The proposed public library, IT center, health center, maternity and ayurvedic center and community hall proposed to be set up in the multi-purpose building constructed at a cost of Rs. 59,078,700 under the Pura Neguma project had not been established and 14,000 feet in the ground floor and second floor had not been utilized by 31st December 2019.	Action should be taken to obtain expected benefits	I Accept.

(c) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Although, the Sabha had produced degradable waste in the block system, A large amount of compost had been piled up as a proper plan had not been implemented for the sales. While, the compost suitable for sieve was exposed to rain and the amount of production and sales had not been recorded.	Steps should be taken manage waste properly.	I would like to inform that fertilizer will be brought to the garbage yard and sorted. The fertilizer produced will be processed so as to sieve them and action will be taken to document.

(d) Sustainable Development Goal

Audit Observation	Recommendation	Comments of the Accounting Officer
Sustainable Development Goals had not been adequately identified, therefore, have not been adequately addressed with this regard.	Sustainable Development Goals should be identified and action should be taken to achieve them.	Steps will be taken achieve sustainable Development Goals with the 2020 budget.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Agreements relating to the leasing of stalls in the Hasalaka shopping complex had been terminated in 2009 According to the agreement, the size of the shop was 12x29 feet, but it was 12x60 feet and the construction was done illegally and the tenants of 13 shops were permanently settled behind the shop. The shops on the top floor of the mall were built by tenants without the permission of the council.	Necessary action should be taken against unauthorized constructions.	No Answers
(b) Rs. 367,887 had not been recovered from two stalls at Pallewatta Public Market and Rs. 512,224 had not been recovered from 2 stalls at Hasalaka Common Shopping Complex. The cases have been dismissed as the lease agreement had expired.	Legal action must be taken to recover arrears and take possession.	The cases have been dismissed due to prescription. I inform you that a case has been referred to the Commissioner of Local Government to file a case to recover the possession.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) There were 10 vacancies in 7 posts and 02 excess in one post.	Vacancies should be filled.	I accept. Action will be taken to fill the vacancies.
(b) The loan balance of Rs.500,973 had not been settled from 4 transferred officers.	Action should be taken to settle the loan balance.	I will inform you that action will be taken to recover.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The bars owned by the council had been leased out from 6 years without assessed.	Action should be taken to assess and lease.	This shop has not been assessed yet and it will be assessed and tendered in the year 2021.
(b) No action had been taken to reimburse the amount of Rs. 98,757 spent on a water distribution program from the Minipe Divisional Secretariat.	It should be Reimbursed on time.	Letters have been sent to the Divisional Secretary to reimburse this amount.
(c) The Council had lost revenue due to charging Rs. 150 / - from households and Rs. 400 / - businesses for water projects of the council, without installing water meters and there was an arrears of Rs.2,522,169 due to non-payment of charges by informing that water is not available as well as water charges were not collected on time.	Action should be taken to install water meters and collect charges.	The council has no information on whether or not to install water meters I would like to inform that work is being done to install water meters.

3.5 Asset Management

3.5.1 Failure to Ensure Safety of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The council had paid Rs. 535,500 on 25 th September 2019 to settle the case regarding the demolition of an unauthorized building by a person on land owned by the council nearby the Hasalaka weekly fair. A cab worth Rs. 1,500,000 belonging to the council which was taken into custody in connection with this case was decaying.	Assets should be secured.	The matter has been reported to the police. It has been informed that further action will be taken and reported.

3.5.2 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The cab worth Rs. 1,500,000 provided by the Central Provincial Council had been banned in the year 2006 on an ASDISI order and although the case has been completed by now, no action has been taken against the cab.	Future actions regarding this cab should be taken Immediately.	I would like to inform you that a Board of Inquiry has been appointed in this regard.
(b) 03 vehicles worth Rs.1,978,050 were inactive and underutilized.	Arrangement should be made to auction off unusable Vehicles.	I accept.

4. Accountability and Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though Internal Auditor is appointed, Internal Audit is not implemented satisfactorily, Since ordinary office duties are assigned.	Report should be presented after implementing Internal Audit.	I accept.