

**Pathadumbara Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 were submitted for audit on 27th March 2020 and the Summary report of Auditor General on those financial statements was sent to the Chairman on 18th May 2020 and the detailed management audit report on 31st May 2020.

1.2 Qualified Opinion

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 Pathadumbara 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) Accumulated Fund had been understated by Rs.25,777,389.	Accounting should be done correctly.	Correction will be made in preparation of Financial statements of 2020.
(ii) The balance Income received in advance had been understated by Rs.864,678.	Accounting should be done correctly	Correction will be made in preparation of Financial statements of 2020.
(iii) Rates receivable had been understated by Rs.507,535.	Accounting should be done correctly	This shortcoming is due to errors in the council's assessment software. Action will be taken to correct.
(iv) The court fines due for the last 06 months of the year under review had not been accounted for.	Accounting should be done correctly.	The Revenue Inspectors have informed the Registrars of Courts in writing.
(v) Although the e-Nena Piyasa account balance was Rs.82,246, it had been overstated by Rs.35,627 as it was shown as Rs.117,873	Accounting should be done correctly	Correction will be made in preparation of Financial statements of 2020.

(vi)	Although the employee guarantee deposit investment was Rs.367,739, its liabilities were accounted as Rs.131,353.	Accounting should be done correctly.	Correction will be made in preparation of Financial statements of 2020.
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(b) Contingent Liabilities

Audit Observation

Recommendation

Comments of the Accounting Officer

As at December 31st 2019, 16 outsiders had filed lawsuits against the council, the details of which had not been disclosed in the financial statements.

Contingent liabilities should be disclosed in the Financial statements.

Arrangements have been made to disclose through accounting notes in the preparation of the 2020 financial statements.

(c) Non-reconciled Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

There was a difference of Rs.8,673,170 between the total amount of Rs.162,392,470 in relating to 11 subjects of account in the financial statements and the balances shown in the source documents.

It should be accounted by reconciling the differences of relevant balances.

This difference will be looked into and resolved.

(d) Accounts Receivable and Payable

Audit Observation

Recommendation

Comments of the Accounting Officer

(i) The total balance of accounts receivable for the period 1 to 3 years was Rs.7,968,826 and the balance of accounts over a period of 3 years was Rs.724,002.

Action should be taken to recover the receivable balance.

These balances will be mark out and settled immediately.

(ii) The total amount of payable balances which had elapsed 1 to 3 years was Rs.29,600,752 and the balance of balances over 3 years was Rs.3,883,094.

Action should be taken to settle the payable balance.

These balances will be mark out and settled immediately.

(e) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidence such as fixed asset register, schedules etc. had not been submitted for audit in respect of 3 accounting subjects valued at Rs.107,738,706	Evidences that verify the accounting balances in financial statement should be presented.	Action will be taken to update the documents and present with the 2020 Financial statements.

1.4 Non-Compliance

Non-Compliance with Rules, Regulations, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Financial Regulations 571 (3) of the Democratic Socialist Republic of Sri Lanka	126 General Deposits worth Rs. 1,626,977 had not been dealt with for more than 02 years.	Financial regulations Should be followed	Action will be taken to release the guarantees requested by the contractors and act in accordance with the financial regulations.
(b) The Commissioner of Local Government Circular 5/2010 dated 24 th November 2010.	an unqualified Public Relations Officer had recruited and paid a salary of Rs.141,000 from August 2018 to December 2019.	Recruitment should be done after checking the qualifications in the circular.	Other qualifications other than the shortcomings mentioned in the inquiry have been fulfilled.

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.14,423,583 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.9,876,032.

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 Revenue in 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	5,530,000	5,850,455	4,003,755	4,159,134	7,083,000	7,486,367	8,149,308	4,313,761
(ii) Rent	5,248,400	3,481,842	2,947,656	881,866	657,000	2,127,950	2,137,240	412,211
(iii) License fees	1,150,500	2,300,000	2,803,810	568,708	2,200,000	2,200,000	2,420,040	(220,040)
(iv) Other income	33,266,500	21,420,155	2,654,679	313,158	12,986,720	14,385,688	1,924,688	21,290,519
	<u>45,245,400</u>	<u>33,052,452</u>	<u>12,409,900</u>	<u>5,922,866</u>	<u>22,926,720</u>	<u>26,200,005</u>	<u>14,631,276</u>	<u>25,796,451</u>

2.2.2 Shop Rent

Audit Observation

Any action had not been taken to recover the revenue of Rs.313,158 due from the lease of the butcher shop which had been existence since 1996.

Recommendation

Due charges should be recovered.

Comments of the Accounting Officer

An action is being taken as per its decision, as per the Financial Regulations 104 inquiry

2.2.3 Court Fines and Stamp Duties

Audit Observation

The receivable court fines and stamp duty were Rs. 385,412 and Rs. 23,317,474 respectively.

Recommendation

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

Comments of the Accounting Officer

Relevant Institutions and Revenue Inspectors have been informed.

3. Operational Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by the 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

Under Section 126 of the Pradeshiya Sabha Act, by-laws were to be enacted to fulfill 30 main matters but by-laws were enacted only for 18 matters.

The Council should enact revenue by enacting by-laws that can generate revenue.

Action will be taken to enact by-laws.

(b) Failure to Obtain the Expected Outcomes

Audit Observation

Recommendation

Comments of the Accounting
Officer

The Aluthgama Fair which was constructed in the year 2014 at a cost of Rs. 1,980,000 remained idle.

Action should be taken to obtain the expected benefits.

The community will be made aware of the proper use and will continue to be active.

(c) Environmental Issues

Audit Observation

Recommendation

Comments of the
Accounting Officer

Unauthorized constructions had been carried out to block the Balathota Oya which flows near Madawala town and the Oya had become polluted due to the discharge of waste into the Oya. No action had been taken against those involved in illegal constructions and dumping of garbage.

Garbage should not be disposed of in a manner that is harmful to the environment

Steps will be taken to prevent this situation.

(d) Sustainable Development Goals

Audit Observation

Recommendation

Comments of the
Accounting Officer

The Sustainable Development Goals have not been adequately identified and have not been adequately addressed.

Sustainable development goals need to be identified and action taken to achieve them.

Allocations will be made in the 2020 Budget and action will be taken to utilize them effectively in 2020.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Although Pathadumbara Pradeshiya Sabha had incurred Rs.3,339,857 expenditure for the Project on which agreed upon jointly share the revenue and expenditure equally, but received no income.	Action should be taken to formalize this project in accordance with the agreements.	The relevant institutions have been informed in this regard but no action has been taken..

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There were 15 vacancies and 2 excess.	Vacancies need to be filled	Recruitment has been suspended due to the policy decisions of the new government.
(b) There was a non-performing loan balance of Rs.816,847 of 7 transferred officers	Employee loan balance in arrears should be recovered.	These persons continue to collect loan installments from the transferred institutions and the guarantor has been informed about the officer who has left the service.

3.4 Asset Management

Audit Observation	Recommendation	Comments of the Accounting Officer
Nine vehicles worth Rs.6,794,115 belonging to the council have been idle for about 05-10 years and any action had not been taken to repair or auction those vehicles.	Action should be taken to dispose of unusable vehicles.	The council has decided to auction the vehicles as they are currently unusable.