

**Pasbage Korale Pradeshiya Sabha  
Kandy District**

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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 were submitted for audit on 13 March 2020, and the Auditor General's summary report on those financial statements was forwarded to the Chairman on 31 May 2020, and the detailed management audit report on 30 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 Pasbage Korale 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**

**1.3.1 Accounting Deficiencies**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Expenditure of two expenditure codes had been understated by Rs.261,586.	It should be accounted correctly.	Corrections will be made in the year 2020.
(b) Rs.2,217,989 had not been accounted for as creditor balance.	It should be accounted correctly.	Corrections will be made in the year 2020.
(c) The industrial debtor balance had been overstated by Rs.176,158.	It should be accounted correctly.	Action will be taken to correct in the future.
(d) The outstanding advance balance had been overstated by Rs.747,821	It should be accounted correctly.	Action will be taken to correct in the future.

**1.3.2 Non-Reconciled Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was mismatch of Rs.6,856,272 between the balance of 05 subjects of account as per the financial statements and source documents.	Differences should be recognized and rectified.	Differences will be checked and corrected in the future.

### 1.3.3 Receivable and Payable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) <u>Accounts Receivable</u> The total balance of accounts receivable for more than 05 years was Rs.511,415.	Action should be taken to recover the receivables.	action will be taken to recover in the future
(b) <u>Accounts Payable</u> The balance of accounts payable for more than 05 years was Rs. 1,529,011	Action should be taken to settle the payable balances.	Action will be taken to settle this in the future.

### 1.3.4 Non-compliance

#### 1.3.4.1 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
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(a) 1988 Pradeshiya Sabha (Financial and Administration) rules  Section 5(8)	Measures were not taken to ensure the safety of fixed assets.	Relevant rules should be followed.	There is a shortage of officers and action will be taken to rectify this in the future.
(b) Other Circulars -----			
(i) CP/CLA Circular No; 2016/03 dated 17 <sup>th</sup> March 2016. -----			
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• Section 4.1	When entering into the lease agreement for the stalls, the agreement did not include the date of payment of monthly rent and late fees.	The agreement should be properly prepared.	new agreements will be entered into
• Section 5.1	No action has been taken to assess shop rent after the year 2008.	New assessments need to be made.	New assessments have been received and agreements will be



(b)	<u>Water Charges</u> ----- Rs. 2,977,635 had not been collected from the water tax charges billed during the year under review	Action should be taken to collect revenue	Action will be taken to correct in the future.
2.2.3	<u>License Fee</u> Audit Observation ----- Three Wheeler Charges ----- At the end of the year under review, three wheeler charges amounting to Rs. 561,100 had to be collected	Recommendation ----- Three wheeler revenue should be charged	Comments of the Accounting Officer ----- Action will be taken to recover in the future.
2.2.4	<u>Court fines and Stamp Duties</u> Audit Observation ----- Receivable court fines and Stamp duties as at 31st December 2019 was Rs. 2,301,215 and Rs. 9,089,830 respectively.	Recommendation ----- The money due should be obtained	Comments of the Accounting Officer ----- Action will be taken to reimburse in the future. .
3.	<u>Operating Review</u>		
3.1	<u>Performance</u>		
	Following matters were revealed with regard to duties to be fulfilled 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)	<u>Inadequately Performed Function</u>		
	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Water filters had not been prepared for 04 water supply schemes valued at Rs. 46,763,670.	Schemes should be regulated immediately.	The necessary future activities have been planned.
(ii)	Measures had not been taken to repair 07 buildings valued at Rs.12,742,700.	Assets should be made usable	Future activities are planned.

	<u>Solid Waste Management</u>		
	Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>-----</p> <p>Attention had not been paid on making compost using the waste material, as raw material.</p>	<p>-----</p> <p>Attention should be given on compost production.</p>	<p>-----</p> <p>The reports have been prepared and submitted to the Environmental Authority.</p>
3.2	<u>Management Inefficiencies</u>		
	Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>-----</p> <p>05 Expenditure objects had been over spent the provision ranged from 19 percent to 57 percent without approval.</p>	<p>-----</p> <p>Expenditure should be borne within the provision limit.</p>	<p>-----</p> <p>Action will be taken to correct in the future.</p>
3.3	<u>Human Resource Management</u>		
	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	Employee Vacancies and Excess		
	<p>-----</p> <p>At the end of the year under review, there were 13 vacancies in approved posts.</p>	<p>-----</p> <p>Action should be taken to fill the vacancies.</p>	<p>-----</p> <p>Although approval has been asked for, there has been a delay due to government policy.</p>
(b)	Employee Loans		
	<p>-----</p> <p>The loan balance of Rs. 239,997 due from two officers had not been recovered</p>	<p>-----</p> <p>Action should be taken to recover the loan balance.</p>	<p>-----</p> <p>Further action will be taken on the advice of the Local Government Commissioner.</p>
3.4	<u>Operational Inefficiencies</u>		
	Audit Observation	Recommendation	Comments of the Accounting Officer
(a)	<p>-----</p> <p>Rs.118,000 revenue had been lost as the old rent being levied instead of the newly assessed rent from the 15 stalls in “Silver Land” public land.</p>	<p>-----</p> <p>Revenue should be charged according to the new assessment.</p>	<p>-----</p> <p>Action will be taken to correct in the future</p>
(b)	<p>-----</p> <p>No assessment had been made after the year 2009.</p>	<p>-----</p> <p>Assessments should be made in a timely manner</p>	<p>-----</p> <p>Action will be taken to correct in the future</p>

3.5 Asset Management3.5.1 Failure to Register Assets

Audit Observation

Recommendation

Comments of the  
Accounting Officer

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The values of 05 community halls had not been identified and documented

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Assets must be identified and documented.

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It will identify and document in the future.

3.5.2 Failure to Carry out Maintenance and Repairs

Audit Observation

Recommendation

Comments of the  
Accounting Officer

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27 wells and spouts valued at Rs. 386,000 had not been identified and developed.

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Assets belonging to the Council should be identified and maintained

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Action will be taken to repair in the future.

3.5.3 Failure to Obtain Income due from Assets

Audit Observation

Recommendation

Comments of the  
Accounting Officer

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No action had been taken to upgrade 04 water supply schemes worth Rs. 7,000,000 which are inactive.

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Action should be taken to improve water projects.

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Further action will be taken on the advice of the Local Government Commissioner.

3.5.4 Non-Acquired Assets

Audit observation

Recommendation

Comments of the  
Accounting Officer

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No action had been taken to take over 19 cemeteries and 26 community halls valued at Rs.32,000,273.

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Action should be taken to take over

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Action will be taken to take over in the future

3.5.5 Idle and Underutilized Assets

Audit Observation

Recommendation

Comments of the  
Accounting Officer

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144 water meters worth Rs. 514,080 purchased in 2016 were inactive

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Action should be taken to install water meters

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Action will be taken to install water meters in the future.

3.6	<u>Non-Economic Transactions</u>	Recommendation	Comments of the Accounting Officer
	<u>Audit Observation</u> ----- 354 water meters worth Rs. 1,734,600 purchased for the Ellawatta and Meepitiya water supply schemes had not been used and remained idle for five years and the instalments of the loan obtained for the purchase of the meters were being paid from the Council Fund	----- Action should be taken to install water meters or take other measures	----- Action will be taken to install water meters in the future.
3.7	<u>Procurement</u>		
3.7.1	<u>Purchasing a Photocopy Machine</u>		
	<u>Audit Observation</u> ----- A photocopier had been purchased for Rs. 154,000 based on the bids submitted by only one company.	<u>Recommendation</u> ----- Procurement guidelines should be followed.	<u>Comments of the Accounting Officer</u> ----- The action was taken on a decision of the Council.
3.7.2	<u>Contract Administration</u>		
	<u>Audit Observation</u> ----- During the construction of the new library building in 2019, the contractor was overpaid by Rs. 602,042 for non-construction works.	<u>Recommendation</u> ----- The work done should be physically inspected and paid for	<u>Comments of the Accounting Officer</u> ----- Action will be taken to recover out of the Deposit.
4.	<u>Accountability and Good governance</u>		
4.1	<u>Unresolved Observations and Unanswered Audit Queries</u>		
	<u>Audit Observation</u> ----- (a) 2018 – 3.1(a)(i) ----- Although there were small power plants in the council area, by-laws were not drafted to collect revenue.	<u>Recommendation</u> ----- By-laws should be drafted.	<u>Comments of the Accounting Officer</u> ----- Correction will be made in the future.
	(b) 2018 – 3.3.(c) ----- It was observed that only tickets were being sold without any action being	Action should be taken to protect the resources	40 percent of the work is completed and action will be

taken for the safety of the tourists visiting the Galabada waterfall and the protection of environment.

of the Council.

taken to fix the shortcomings in the future.

(c) 2018 – 3.4.1(b)

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The concrete mixer worth Rs. 200,000 received as a donation from the Ministry of Disaster Management in 2012 has been idle for many years.

Assets should be used without allowing them to become inactive.

Further action will be taken by having discussed with the Ministry.

(d) 2018 – 3.5

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Although Rs.1,650,000 had been paid to the Land reforms council for the use of land related to the Greenwood granite project for last year, no action had been Taken to generate revenue from the project.

Should Implement the project to earn income.

the projects will be implemented in the year 2020.