

Laggala Palegama Pradeshiya Sabha
Mathale District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements of the year 2018 had been presented to the audit on the 08 April 2019 and the summary report of the Auditor General had been forward to the Chairman on 17 May 2019 and the detailed e management report regarding the financial statements had been forward to the Chairman on 27 May 2019.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Laggala Palegama Pradeshiya Sabha as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

Accounting Deficiencies

Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i) There was a difference of Rs.4, 093,098 between the sum of the fixed assets and the balance of the contribution account for the capital application.	The reasons for the difference should be investigated and corrected.	It will be corrected in financial statements of the year 2019.
(ii) Since it had debited an amount of Rs. 3,315,257 to the account of land and buildings it had overstated the account of income contribution to the capital by that amount.	t should be corrected I the accounting .defficiencies	Accept. It will be corrected in financial statements of the year 2019.
(iii) 1,313,849.he goods worth of rsT which had purchased in the year .had not been accounted 2018	should be corrected It the accounting .defficiencies	will be followed It y the ;appropriatel method of store .advance

(iv)	he issued goods in the yearT had not been accounted as 2018 .store issues	t should be corrected I the accounting .defficiencies	will be followed It y the ;appropriatel method of store .advance
(v)	Storegoods worth of Rs.126,113 had not been count as the final stock as at 31 december 2018.	should be corrected It the accounting .defficiencies	It will be corrected in financial statements of the year 2019.
(vi)	Two motorcycles had not been accounted by assessing them.	t should be corrected I the accounting .defficiencies	A committee had been appointed to value this assets.
(vii)	An amount of Rs.130,000 which had retained regarding 02 industries in the year under review had not been accounted as hand retaines	t should be corrected I the accounting .defficiencies	Accept. It will be corrected in financial statements of the year 2019.
(viii)	An amount of Rs. 156,000 had been overstated in the advance account of the year under review.	t should be corrected I the accounting defficiencies	It will be corrected in financial statements of the year 2019
(ix)	The Haththota Amuna pola building worth of Rs. 2,182,503 which had transfered to the sabha in the year 2018 had not been accounted.	t should be corrected I the accounting defficiencies	It will be corrected in financial statements of the year 2019
(x)	The value the shops, public marketing, pre-school building, yard waste and building and public library which had flooded from the Kaluganga project had not been removed from the accounts	he fixed assets register T should be maintained .properly	Accept. It will be corrected in financial statements of the year 2019
(xi)	It had been deserted from the accounts the value of Rs.599,000 of 05 goods which had received to the sabha on 29 December 2018.	t should be corrected I the accounting defficiencies	It will be corrected in financial statements of the year 2019
(b)	Non reconciled control accounts ----- Audit observation ----- (i) It had been observed a difference of Rs. 3,841,871when compare the total Amount of Rs. 8,805,934	Recommendation ----- The accounts must be corrected.	Accounting Officer's Commentary ----- It will be corrected by comparing the balances of past years further more

out of 09 accounts subject stated in the financial statements with their relevant schedules supporting documents.

(ii) had observed a difference of Rs. 416,57. between the income source stated in the other income register and the accounted revenue.

The accounts must be corrected.

will be taken to ensure that A prepare the registers accurately and use correct income heads.

(c) Suspense Accounts

----- Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
Although the balance of suspense account was amounting to Rs.1,836,4220 as at 31 December 2107 it had stated as Rs.1,719,801 at the beginning of the year.	The suspense account T should be removed by wrong correcting the adjustment had made to the account.	Accept. It will be corrected in financial statements of the year 2019

(d) Accounts Receivable and Accounts Payable

(i) Accounts Receivable

----- Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
The receivable balances of 03 accounts balances which continued from several years amounting to Rs. 160,724.	Actions should be taken to collect the receivable balances.	actions will be taken to recovered the arrears acreage tax amount and correct the other balances by investigation.

(ii) Accounts Payable

Audit Observation

Recommendation

Accounting Officer's
Commentary

The receivable balances of 03 accounts balances which continued from several years amounting to Rs.2,050,729

Actions should be taken to settlement the payable balances.

Arrangements have been made to settle the balance of pension payable and look into any other balance and settled.

1.3.4 Lack Of Written Evidence Required For The Audit

Audit Observation

Recommendation

Accounting Officer's
Commentary

06 accounting subject worth of Rs. 17,099,485 had not been vouched satisfactorily in audit due to non-submission of the audit evidence to the audit.

It should be presented the evidence which verified the balances

Answers had not been received.

1. 4 Non-Compliance

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

References
To laws, rules,
regulations and
management
decisions

Non-compliance

Recommendation

Accounting
Officer's
Commentary

(a) Section 24 of the Pradeshiya Sabha Act No 15 of 1987

No action has been taken to gazette the roads.

The identified routes should be gazette

The answer had not been received.

(b) Financial Regulations of the Democratic Socialist

Republic of Sri Lanka

371 (2)	The advances granted to 13 officers on 13 occasions during the years 2015, 2016 and 2018 were not settled as at the end of the review year .	The interim impulse provided must be settled	The answer had not been received
(c) 1988 Pradeshiya Sabha (Financial and Administrative) Rules			
Rule No. 99	It had been paid to uncertified vouchers at four occasions in 2018.	It should be paid only for the vouchers certified properly.	The answer had not been received
Rule No. 217	A list of all the lands and buildings owned by the council and used by the council had not been kept up to date in terms of the PS-46 format.	Land and building register should be maintained in the form of PS46	The answer had not been received
(d) Public Administration Circular No. 09/2009 dated 16th April 2019	The arrival and departure of the signs were not confirmed by the finger print Machines.	The presence must be verified by finger prints.	The answer had not been received
(e) Circular 3/2016 and dated on 29 December 2016 of the Secretary to the Ministry of Public Administration and Management	Even though the fuel combustion test should be carried out every 12 months or 25,000 km, they have not been done it for four vehicles.	According to the circular the fuel combustion tests should be carried out at the appropriate time.	Actions have been taken to conduct fuel combustion tests promptly.

1.4.2 Transactions not verified by insufficient authority

----- Audit Observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
had 10,820 .n amount of RsA been paid as subsiairies and travelling allowances to the acting secretary for participating 10 the training programme of days which held to released the bar examination efficiency of 01 related the grade .management assistant service	he traveling clames and T susidairies should be paid after specific verification	The answer had not been received

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of expenditure over recurrent income recurrent for the year ending 31 December 2018 amounted to Rs. 659,500 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.74,906.

2.2 Financial control

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
02 he balances regerdingT current accounts amounting to had 220.and Rs 114,950.Rs been maitained without doing .any transacions	t should be transferd to I .active account an	The answer had not been received

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, collected Income and arrears Income

Details of Estimated Revenue, Billed Income, collected Income and Arrears of Revenue for the year under review and previous year are as follows.

Source of revenue	2018				2017			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	15,260	58,900	43,808	1,223,353	220,260	22,000	22,000	-
Rent	365,600	54,790	64,145	296,723	255,600	116,440	116,440	171,200
License fees	740,000	334,500	344,500	-	800,000	602,200	368,200	-
Other Income	3,960,000	2,607,305	1,797,107	810,198	5,597,750	3,051,477	2,251,477	1,188,334
Total	<u>5,080,860</u>	<u>3,055,495</u>	<u>2,249,560</u>	<u>2,330,274</u>	<u>6,873,610</u>	<u>3,792,117</u>	<u>2,758,117</u>	<u>1,359,534</u>

.2.2 Rates And Taxes

Audit Observation	Recommendation	Accounting Officer's Commentary
While the acreage tax amount W which had coming priviuos g years was amountin from 06 and any actions 64,426.to Rs had not been taken to .settlment this balance	he arrears must be T .recoverd	ctions are taking to A write off this arrears could balances due to it not find out specific informations in this .regard

2.2.3 Rent

Audit Observation	Recommendation	Accounting Officer's Commentary
(a) There were to be recievd the shop rent and house rent amounting to Rs.118,940 as at the end of the year under review.	Arrears should be recovered	The answer had not been received
(b) It had to be received an amount of Rs.117,783 as tractor rent as at the end of the year under review.	Arrears should be recovered	The answer had not been received

2.2.3 Other Income

----- Audit Observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
(a) Actions had not been taken to recovered receivale wataer charges amounting to Rs.231,897 which had countinuing from the several years.	Arrears should be recovered	The answer had not been received
(b) While it had to be received arrears water charges amounting to Rs.630,342 whe leaving the area of authority of the Sabah by some government entities and persons due to the project of 'Kaluganga' , taht was include a balance from Rs.528,100 that should to be received from the government entities.	Arrears should be recovered	The answer had not been received

3 Operational review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 3 of the Pradeshiya Sabha Act.

(a) Action Plan

----- Audit Observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
Although the by-laws were enacted to fulfil 17 main matters under section 126 of the pradeshiya sabha act, the by-laws were not taken up for other matters as at 31 December 2018.	The by-laws regarding the functions of the pradeshiya sabha should be appropriately imposed.	The deficiency has been acknowledged. Actions will be taken regarding it in the future.

(b) Solid Waste Management

Audit observation

Recommendation

Accounting Officer's
Commentary

(i) Although the expenditure of Rs. 909,714 had been spent for solid waste disposal during the year under review, the garbage was dumped daily on public land without proper management.

Garbage disposal should be handled with proper management

It will be handling the waste properly

(ii) According to the letter dated 6 June 2018, of the Chief Secretary of the Central Province had been informed as taking the participation of the people for disposal and segregation of or garbage had not been done the daily collection and the polythene had been burned and dumped under ground.

it should be adverted to the long term solid waste management by the Sabha

The Council does not have sufficient revenue to set up proper waste management projects and the is making arrangements to provide the above projects by the Mahaweli Authority.

(c) Sustainable Development Goals

Audit Observation

Recommendation

Accounting Officer's
Commentary

The Council had not been taken any action to achieve the Sustainable Development Goals.

Sustainable development goals should be achieved

The answer had not been received

3.3 Management Inefficiencies

Audit Observation	Recommendation	Accounting Officer's Commentary
(A) An amount of Rs.134,370 which had received to the sabha for repairing a cab on January 2016 had been retained in the deposit account without paying to the institute that had done the repair.	The amount should be taken to the income of the sabha .elyappropriat	The vehicle has not been repaired properly and due to this payment has not been paid.
(b) The HaththotaAmuna Pola building which had built under the Puranaguma Project in 2016 had not been tendered and given to suitable persons.	Action should be taken to remove or repair unused assets.	It has been informed that action will be taken to generate income appropriately
(c) While it had been developed the infrastruecter facilities in the Pitawala pathana Samanala stadium by expending an amount of Rs. 800,000 under the programme of devolping the infrastructure facilities in the local government authorities (2016). it had not ben utilized.	Action should be taken to remove or repair unused assets.	I inform that the park will be developed for the use of the public

3.3 Human Resource Management

Audit Observation	Recommendation	Accounting Officer's Commentary
Employee Vacancies		
(a) As at 31 December of the year under review, there were 19 vacancies in the staff.	Staff vacancies must be completed.	nswers had not been A received
(b) ven though it had got the E responses from the former	Disciplinary inquiries should	nswers had not been A received

secretary of the Pradeshiys Sabha connection with bribery by consolidating the complaints on 23 April 2018, it had not been held a formal disciplinary inquiry. be expedited

(c) Employee guarantees

employee had not been bailed 04 according to the circular of the Cheif 02/06/06/CS/CPC 2003 April 11 Secretery dated on Action should be taken as per the circulars answers had not been received

3.4 Asset Management

3.4.1 Assets Which Could Not Documented

Audit observation	Recommendation	Accounting Officer's Commentary
Action had not been taken to list out the the assets of the Pradeshiya Sabha including land, buildings, vehicles and machinery, office equipment and furniture	Asset records should be maintained with respect to the assets specified	Action will be taken to document the assets immediately complete information on the assets and property belonging to Sabha.

3.4.2 Non-Receipt of Expected Revenue from Assets

Audit Observation	Recommendation	Accounting Officer's Commentary
ctions had not been taken to A income utilized and generate properly the weekly fair under tbuilding which had buil e orogramme of Pura Neguama ht .at a contracted cost of Rs .2,182,502	The relevant building should be used for the income generation activities of the Sabha.	nswers had not been A received

3.4.3 Assets Could Not Transferred

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
(A) No action had been taken to take over the Pradeshiya Sabha office building and officers' quarters which had been got by the Mahaweli Development Authority.	actions should be taken to transfer the relevant lands and buildings and to documented the assets .properly	After repairing the shortcomings of the building, action will be taken to take over
(B) Action had not been taken to acquire the land where were located cemeteries, public libraries and community buildings used by the Sabha.	be actions should taken to transfer the relevant buildings and to documented the .assets properly	It has been discussed with the Mahaweli Authority to take over the land where these buildings are located.
(c) Action had not been taken to taken over the Seven vehicles used by the sabha	Vehicles should be vested in to the sabha.	ctions will be taken to A .vested this vehicles

3.4.4 Idle and Underutilized Assets

----- Audit Observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
(a) generator capacity Kw 20 DM machine and the stone cutting machine had not been utilized within several years.	be ctions shouldA taken to dosposal or to use by preparing the assets which not .use	The Department of Valuation has been informed to evaluate this machine for auction and that it will be auctioned upon receipt of valuation reports.
(b) The road palnatoon machine worth of Rs.7,967,144 which had been given to the sabha by the Department of Local Government had not been utilized from the year 2017.	t should be utiledI .after repairing	nswers had not been A received

(c) Two vehicles owned to the sabha had been idle for a long time.	he vehicle should be repaired or disposed appropriately	answers had not been A received
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3.4.5 Utilization of Vehicles

 Audit Observation

Recommendation

Accounting Officer's
 Commentary

The annual license had not been taken for the two cabs of the Sabha.

The vehicle revenue license should be taken.

I will inform you that action is being taken to obtain revenue licenses.

3.5 Non Economical Transactions

 Audit Observation

Recommendation

Accounting Officer's
 Commentary

Although it had stated as A cocount plants 10 distributed the 154 papaya plants for 24 and individuals under the programme of Special Economic Development Program, it had been observed in the feild visit as lot of individuals had received only the papaya plants in a quantity of lower than 10.and about 2500 plants had been destroyed due to them at a low quality. So the amount Rs.251, 600 which had pay for this was not effective.

An annual procurement plan should be prepared and procurement activities should be carried out accordingly.

answers had not been A received

4. Accountability and Good Governance

4.1 Internal Audit

Audit observation	Recommendation	Accounting Officer's Commentary
An internal audit unit has been established in terms of Rule 5 (7) of the Pradeshiya Sabha (Financial and Administrative) Rules 1988, but no internal audit reports have been issued.	The Internal Audit Unit should be functioning properly.	Answers had not been received

4.2 Audit And Management Committees

Audit observation	Recommendation	Accounting Officer's Commentary
Although it should be held 04 Annual audit and management committees, but only 02 committees had been held for the year 2018.	Audit and Management Committees should be constituted in terms of the circulars	Answers had not been received