

Kundasale Pradeshiya Sabha
Kandy 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 25 March 2019 and the summary report of the Auditor General had been presented to the Chairman on 28 May 2019 and the descriptive management report regarding the financial statements had been presented to the Chairman on 31 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 paragraph 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 Kundasale 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

(a) Accounting Deficiencies

	Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i)	The amount which has spent to the development of the lands and building amounting to Rs.44,409,776 had not been capitalized.	Action should be taken to accurate correctly.	Accept.
(ii)	It had been under accounted a value of land by an amount of Rs.4,801,000 and the value of 13 lands had not been accounted by assessing the value.	Action should be taken to accurate correctly.	Accept.
(iii)	The income amount of Rs.2,033,912 had received from accounting the lands of the Sabha had been accounted under the land and building.	Action should be taken to accurate correctly.	Accept.

(iv)	While the medicine stock and common store balance had not been accounted by physically counting and an amount of Rs.4,837,105 of water industrial stock had not been accounted.	Action should be taken to accurate correctly.	Accept.
(v)	Although it should be accounted only the profit which relevant to the Sabha from Aluthwatta Compost project. It had been accounted overall revenue and expenditures.	Action should be taken to accurate correctly.	Accept.
(vi)	The machinery and equipment worth of Rs.279,088 had not been capitalized.	Action should be taken to accurate correctly.	Accept.
(b)	Un-reconciled Account -----		
	Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
		Action must be taking to correct them by examining.	Accept.
(c)	Accounts Receivable and Payable -----		
	Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i)	The receivable balance of 02 accounts was amounting to Rs.15,292,601 as at the last date of the year under review, and it had elapsed over one year.	Accounts should be taken to recover the receivable balances.	Accept.
(ii)	The total of payable accounts balance was amounting to Rs.56,687,206 which elapsed over 01 year.	Accounts should be taken to recover the receivable balances.	Accept.

(d) Lack of written Evidence

Audit observation	Recommendation	Accounting Officer's Commentary
		I accept the deficiencies had pointed out by audit.

1.4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

References To rules and regulations and management decisions	Non-compliance	Recommendation	Accounting Officer's Commentary
(a) Pradeshiya Sabha Act No 15 of 1987			
(i) Section 19(xii)	The building consist with 04 floor and the compost producing project premises had been leased out for 10 years without getting the approval of the Minister.	Action should be taken in accordance with the Pradeshiaya Sabha Act when leasing the institute premises.	It had been obtained approval for the waste management project.
(ii) Section 149	An income which could be recovered to the Sabha income had been lost due to taking income without non-obtaining the formal set of accounts which presented to the board of Tourist.	Income should be recovered by obtaining the accounts which presented to the board of Tourist.	It had been requested for the report of accounts from the board of Tourist.
(iii) Section 154(1)	While the lands had been sub divided without an approval. The relevant taxes had been lost to the Sabha.	Action should be taken according to the provisions of the Act.	The sub division had been presented for the approval.

- (b) Article (ii) of the paragraph (iii), (iv), (v) and 04 of the circular No. 2016/03 dated on 17 March 2016 of the commissioner of the local government.
- While it had not been recovered a key money amount of Rs.600,000 When leasing the buildings, also had not been obtained the bail deposits.
- Action should be taken to recover the key money when leasing and obtaining the bail deposits.
- The same charges are not necessary since it was not a leasing.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs.46,517,379 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.77,794,557

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 are as follows.

Source of income	2018				2017			
	Estimated Income	billed income	Income collected	Total arrears as of December 31 st	Estimated Income	billed income	Income collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates Taxes	9,938,681	9,981,743	7,094,801	7,511,399	9,731,513	9,949,917	6,019,180	6,888,502
Rent	6,863,272	10,418,822	8,449,819	17,258,864	6,154,373	9,586,887	7,744,037	15,045,495
License fee	2,332,000	-	5,816,917	-	6,530,000	-	6,335,981	-
Other Income	6,218,200	789,600	16,957,085	2,400,518	5,759,000	1,030,381	9,589,355	2,211,495
Total	25,352,153	21,190,165	38,318,622	27,170,781	28,174,886	20,567,185	29,688,553	24,145,492

2.2.2 Performance in Revenue Collection

Audit observation

Although the revenue that recovered within the year under review was amounting to Rs.47,667,657 the progress of revenue collection was at a percent of 80 due to the collection of the year was amounting to Rs.38,318,622

Recommendation

The arrears revenue should be collected.

Accounting Officer's Commentary

Accept.

2.2.3 Rent

Audit observation

The rent amount of Rs.1,423,118 had been as arrears from the 21 stalls from shopping malls at Menikhinna.

Recommendation

Action should be taken to recover the arrears amount.

Accounting Officer's Commentary

It had to be received an amount of Rs.411,399 to furthermore.

2.2.4 Court fines and Stamp fees

Audit observation

An amount of Rs.700,000 of court fines and an amount of Rs.109,586,824 of stamp fees had been remained to receive as at 31 December of the year under review.

Recommendation

It should be collected the arrears income promptly.

Accounting Officer's Commentary

It is receiving.

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) By-Laws

Audit observation

Recommendation

Accounting Officer's
Commentary

Although it should to be enacted by laws regarding performing main 30 matters according to the section 126 of the Pradeshiya Sabha act. It had been imposed 20 by laws only.

Action should be taken to generate revenue by imposing by laws as can be collected revenue to the Sabha.

It had been imposed 20 by-laws currently.

(b) Failcere obtaining the expected output

Audit observation

Recommendation

Accounting Officer's
Commentary

(i) The Rajaroopola which had constructed by expending an amount of Rs.9,080,564 had been idle without use in any purpose.

Action should be taken to obtain the expected outcome.

Action will be taken to leased to appropriate persons in future.

(ii) Although it had completed the works of constructing the sub office expending an amount of Rs.8,142,684 A sub office had not been constructed and an action had not been taken to leased out the 04 stalls in upstairs.

Action should be taken to obtain the expected outcome.

It has paying the bids by calling for bids.

(c) Solid waste Management

Audit observation

Recommendation

Accounting Officer's
Commentary

While it had not been followed a planned procedure to sell the carbonic fertilizer and it had dumped the non-decaying waste to the environment as harmful

Attention should be paid attention for selling waste when implementing the project of waste management.

Although fertilizer had made as a solution for the waste. The Sabha does not exist with specialized knowledge to provide fertilizer as appropriate to the market. It has not a plane to sell the

without using recycling.

fertilizer. It had been discussed about non-decaying waste with several institutions. A permanent solution will be taken in future.

(d) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's
Commentary

The index had not been recognized by the Sabha to measure the progress of achieving them by identifying the sustainable development goals and objectives.

Action must be taken to achieve the sustainable development goals by identifying them.

Answers had not been received.

3.2 Management Inefficiencies

Audit observation

Recommendation

Accounting Officer's
Commentary

(a) A revenue of Rs.15,744,000 had been lost to the Sabha due to non-performing the assessment of stalls in the 02 multi-purpose building in Balagolla, Moragahapitiya.

Shop rent should be charged on the assessment value.

The new assessment will be carried out after the period of contracted.

(b) An unauthorized curd stall had been operated in the Sabha premises since 2013 but the Sabha has not taken any action.

Un-authorized shops must be recovered.

The assessed rental have being charging by entering to an agreements.

(c) It had not been charged taxes from curd stall which has continuing in the land that had given by the Housing Authority for public purpose.

Action should be taken to leased out by following the tender procedure.

It had requested as paying the rent that had not been paid since 2015.

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
(a) It had 09 vacancies in 06 posts and 04 surpluses in 03 posts.	Action should be taken as non-accruing the surpluses and filled the vacancies.	I inform that the action are making to requirement.
(b) It had been to be received a distress loan amount of Rs.927,087 which had due from 05 officers who had been transferred.	Action should be taken to recovered the loan balance.	The balances has being received from remainder without from one officers.

3.4 Assets Management

3.4.1 Idle/ Under-utilized Assets

Audit observation	Recommendation	Accounting Officer's Commentary
(a) 05 vehicles worth of Rs.5,364,900 had been idle.	Action should take to repair the assets which can be used and to dispose the assets which had idle.	Action has taken to return 36 Sri 35371 and 42-1472 Action has taken to auctioning CPTM-9979, CPRW-4044 and action has taken to obtaining 65-3933
(b) Even though it had been purchased exercise equipment's worth of Rs.615,820 under the allocation of councilor's of the Pradeshiya Sabha in the year 2015. It had not been established a gym.	Action should be taken to open the Centre and supply the service.	The Centre had been closed since inabilities accept responsibility. Officers are using for fines.

3.5 Non-Economic Transaction

Audit observation

Although the Sabha had purchased a garbage dumping machine at a worth of Rs.1,500,000 and had paid an amount of Rs.500,000 in the year 2017. It had been dumped at the Compost yard without utilizing.

Recommendation

Action should be taken to utilize.

Accounting Officer's
Commentary

This machine had been inactive after active period of 02 or 03 months. I inform that an institute had been came forward to repair this machine.

3.6 Procurement

Audit observation

While it had not been a approved a building plan to the building which had leased to the Manthara Institute, which had completed the works on 03 January 2018 by expending an amount of Rs.25,914,615 for constructing the building under the Sbha allocation in the year 2015. The water had been flowed near the walls of the ground floor through the slab and walls of the fourth floor along the walls. The walls of the fourth floor had been cracked from some places and it had been grown water slides due to leaking the water inside because it was not plaster the outside walls.

Recommendation

Accounting Officer's
Commentary

4. Accounting and Good Governance

4.1 Budgetary Control

Audit observation

While it had not been recovered any amount from the estimated revenue of Rs.2,400,000 of 06 revenue heads and it had not been spent any amount from the allocated provisions of Rs.33,450,000 for 06 expenditures heads.

Recommendation

It should be prepared an actual (නාන්වික) budget.

Accounting Officer's
Commentary

Accept.

4.2. Internal Control

Audit observation

Although an officer had been appointed for the internal audit but it had not issued enough audit reports.

Recommendation

Internal audit should be done and reports should be submitted.

Accounting Officer's
Commentary

Internal audit will be organized after filling the vacancies.