

Kandakatiya Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements.

The Financial Statements for the year 2018 had been submitted for audit on 26 April 2019 and the summary report of the Auditor General of the financial statements had been sent to the Chairman of the Council on 30 May 2019 and the detailed management report had been sent on 31 May 2019.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in the Section of the basis for qualified audit opinion of this report, Financial Statements give a true and fair view of the financial position of the Kandakatiya Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for qualified audit opinion

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the accounting officer
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(i) An amount of Rs.204,431 had been understated from the creditors of Galauda water project and as such the creditors and the expenditure of the year had been understated by that amount.	Accounts should be prepared correctly.	Action will be taken to correct the accounting deficiency.
(ii) Backhoe service charges amounting to Rs.41,000 to be paid for Meegahakiula Pradeshiya Sabha had not been accounted.	Accounts should be prepared correctly	Action will be taken to correct the accounting deficiency.
(iii) 02 fixed deposits amounting to Rs.3,996,204 had not been accounted in the Statement of Financial Position as at 31 December of the year under review.	Accounts should be prepared correctly.	Action will be taken to correct the accounting deficiency.
(iv) Interest should be received from fixed deposit amounting to Rs.1,789,844 had not been accounted.	Accounts should be prepared correctly.	Action will be taken to correct the accounting deficiency.

- (v) The Member allowances to be reimbursed for the months of November and December for the year under review amounting to Rs.510,000 had not been accounted. Accounts should be prepared correctly. Action will be taken to correct the accounting deficiency.

(b) Lack of Documentary Evidence for Audit

Audit Observations	Recommendations	Comments of the accounting officer
One item of assets amounting to Rs.5,903,860 and 02 balances of Creditors amounting to Rs.156,476 could not be vouched due to the lack of Deeds, Plans, Directions, Assessment reports and balance conformations.	Evidence should be given to confirm the balances stated in Financial statements.	Action is being taken to find evidence and accomplish the shortcomings.

1.4 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to The Laws, Rules and Regulations	The Non-compliance	Recommendations	Comments of the accounting officer
(a) Section 158, 159 of 1987 Pradeshiya Sabha Act No. 15	Outstanding amounts of income amounting to Rs.146,250 of the year under review had not been recovered.	Arrears of income should be recovered.	Officers had been advised to act according to Pradeshiya Sabha Act No.15 of 1987.
(b) 1988 Pradeshiya Sabha (Financial and Administration) Rule 218	The Land and Building belongs to the Council had not been assessed.	Action should be taken to act according to Rule 218 of 1988 Pradeshiya Sabha (Financial and Administration)	Officers had been advised to act according to Pradeshiya Sabha Act No.15 of 1987.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	Financial regulation 371	Imprest paid for 3 partners on 04	Action will be taken to settle the imprest.

instances on 2002, finishing works. 2006, 2011 amounting to Rs.67,500 had not been settled

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus over recurrent expenditure of the Council for the year ended 31 December of the year under review amounted to Rs.2,247,092 as compared to the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.3,542,705.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears Income for the year under review and the preceding year is stated below.

Income Source	2018				2017			
	Estimsted Income	Billed Income	Collected Income	Arrears as at 31 December	Estimsted Incom	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rent and Taxes (Water tax, Acreage Taxes)	-	2,183,000	2,111,496	71,504	-	1,615,695	1,739,378	-
(ii) Rent (Fair, Shops)	-	2,145,701	2,112,901	32,800	-	1,877,742	1,874,742	2,500
(iii) License Fee	848,000	-	806,050	41,950	648,000	-	898,850	-
(iv) Other income (Rate Income)	333,500	-	567,513	-	333,500	-	491,583	-
Total	1,181,500	4,328,701	5,597,960	146,254	981,500	3,493,437	5,004,553	2,500

2.2.2 Court Fines and Stamp Duties

(a) Court Fines

Audit Observations	Recommendations	Comments of the accounting officer
Court Fines amounting to Rs.1,300,000 has to be collected as at 31 December of the year under review had not been collected	The arrears of court fines should be collected	Schedules had been sent to the Chief Ministers office by the Commissioner of Local Government.

(b) Stamp Fees

Audit Observations	Recommendations	Comments of the accounting officer
Stamp Fees amounting to Rs.600,000 as at 31 December of the year under review had not been recovered	Arrears of Stamp fees should be recovered	The schedules had not been submitted by the Commissioner of Local Government

3. Operational Review

3.1 Performance

Facts revealed after the analysis of the execution of tasks by the Pradeshiya Sabha in accordance with the Section 3 of the Pradeshiya Sabha Act such as Regulation of Health of the general public, common utility services and public road facilities and maintenance of people's prosperity, comfort and development is given below.

(a) By-Laws

Audit Observations	Recommendations	Comments of the accounting officer
Although By-Laws should be enacted for 30 main issues as according to Section 126 of the Pradeshiya Sabha Act, such By-Laws were not enacted for 23 issues as at 31 December of the year under review.	Action should be taken to enact by-laws for the issues which had not been passed by-laws.	Action will be taken to accept or to enact by laws in future.

(b) Action Plan

Audit Observations	Recommendations	Comments of the accounting officer
An action plan had not been prepared for the year under review	An action plan should be prepared	Action will be taken to prepare an action plan for this year.

(c) Solid Waste Management

Audit Observations	Recommendations	Comments of the accounting office
Although the Pradeshiya Sabha has adopted the by-laws of the Solid Waste Management of the Pradeshiya Sabha by the Gazette Extraordinary No. 1178/45 of the Democratic Socialist Republic of Sri Lanka dated 05 October 2012, the premises which have be charge waste taxes had not been identified and levied taxes.	The actions should be taken in accordance with the Gazette Notification	Advices had been given to charge waste taxes in due course.

(d) Sustainable Development Goals

Audit observation	Recommendations	Comments of the accounting officer
Although Council had been aware of the “2030 agenda of Sustainable Development”, indexes for measuring the sustainable goals that the council can implement had not been identified.	Progress should be measured after identifying the indexes for measuring goals of sustainable development.	Action will be taken to identify the indexes for measuring goals of sustainable development

3.2 Management Inefficiencies

Audit observation	Recommendations	Comments of the accounting officer
(a) Capital grants due from more than 03 years, recoverable work expenditure and arrears of shop tender fees totaling to Rs.13,252,744 had not been collected even in the year under review.	The arrears of income should be collected after identifying the responsible parties.	Action will be taken to collect arrears of income after identifying the responsible parties

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| (b) | Expenditure creditors, work creditors and pension salary balance totaling to Rs.13,514,162 due for more than 05 years had not been settled even in the year under review | Action should be taken to settle the balances to be paid | Action will be taken to settle the balances to be paid |
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3.3 Human Resource Management

Audit observation	Recommendations	Comments of the accounting officer
(a) There was an excess of 2 staff members for 01 post as at 31 December of the year under review	The cadre must be approved.	Action will be taken to approve the excess of staff within this year.
(b) 11 vacancies for 11 posts had not been fulfilled as at 31 December of the year under review.	The vacancies must be fulfilled.	Although the Department of Local Government was informed, action had not been taken to fulfill the vacancies.

3.4 Annual Procurement Plan

Audit observation	Recommendations	Comments of the accounting officer
A Procurement Plan for the year under review had not been prepared	A procurement plan should be made as according to the approved annual budget.	Action will be taken to prepare a procurement plan in due course.

3.5 Idle Assets

Audit observation	Recommendations	Comments of the accounting officer
A cab and a tractor had been parked idle for 06 years within the council premises.	The relevant Assets should be repaired and utilized.	The cab is planned to be repaired and used.

4. Accountability and Good Governance

4.1 Audit and Management Committee Meeting

Audit observation

Although Audit and Management Committee meetings should be held once per quarter as according to the Circular No. DMA/ 2009(01) dated 09 June 2009 of the Department of Management Audit, but only one meeting had been held within the year under review.

Recommendations

Action should be taken in accordance the Circular.

Comments of the
accounting officer

Action will be taken to hold a meeting once per quarter.