

Passara 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 14 March 2018 and the summary report of the Auditor General had been sent to the Chairman of the Council on 26 May 2019 and the detailed management reports were 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 Passara 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)	Provisions had not been done in the accounts for the work creditors amounting to Rs.983,635 to be paid for 09 work creditors in the year under review.	Accounts should be corrected.	Agree to corrected.
(ii)	Pre-payment amounting to Rs.16,333 had been paid to issue 07 environmental licenses in the year under review, had been accounted as Revenue of the year.	Accounts should be corrected.	Agree to corrected.
(iii)	Work creditors amounting to Rs.200,000 as at 31 December of the year under review had been understated.	Accounts should be corrected.	Agree to corrected

- (iv) Although the balance of creditors as at 31 December of the year under review amounted to Rs.393,891, it was shown in the accounts as Rs.500,000. Accounts should be corrected. Agree to corrected.

1.4 Non-compliance

Non-compliance with Laws, Rules and Regulations

Audit observation

References to Laws, Rules, Regulations	Non-compliance	Recommendation	Comments of the accounting officer
(a) Pradeshiya Sabha Act No.15 of 1987			
(i) Section (21) 2	Although 452 pradeshiya shabha roads had been documented, they have not been published in the gazette.	Action should be taken in accordance with the provisions of the Pradeshiya Sabha Act.	Due to the lack of provisions measuring work had been delayed and action had been taken to publish several roads.
(ii) Sections 47(1) and 49(b)	Compliance Certificate had not been issued for 13 new buildings construction plans approved from 2015 to 2018.	The Compliance certificate must be issued.	Action will be taken to issue the Compliance certificate
(iii) Section 134(1)	Action had not been taken to assess and collect new fees from new construction and renovated buildings in developed areas.	Action should be taken in accordance with the Pradeshiya Sabha Act.	Initial assessment of property is finished. The assessment valuation is to be done on 2020.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial regulation 371	Imprest had been given on three instances in the year 2004, 2006 and 2014 amounting to Rs.88,496 had not been settled	Imprest must be settled.	It had been advised to find the details of the recipients.

(ii) Financial regulation 189 and 486	Three cheques had been received to the council for covering the income totaling to Rs.75,712 was dishonored and action had not been taken to reimburse the amount.	Action should be taken to recover income.	Action will be taken to obtain advice from the Audit Committee due to this problem was older than 20 years.
(iii) Financial Regulation 571	Action had not been taken to settle 26 General Deposits amounting to Rs.246,576 which had exceeded 02 years after deposited.	Action should be taken to settle the deposits.	Action will be taken to inform the external parties and correct.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, surplus over recurrent expenditure for the year ended 31 December 2018 amounted to Rs.25,069,852 and the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.9,166,523.

2.2 Revenue Administration

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

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

Source of Income	2017				2016			
	Estimated Income	Billed Income	Collected Income	Arrears of Income as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears of Income as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rate and Tax	319,156	521,457	338,002	183,454	3,354,831	521,813	393,166	128,646
(ii) Rental	17,096,000	9,370,872	9,334,372	36,500	13,453,158	6,948,890	6,905,348	43,542
(iii) Other Income	22,781,800	3,183,974	1,538,552	1,645,422	15,126,093	2,622,264	1,354,098	1,268.166
Total	40,196,956	13,076,303	11,210,926	1,865,376	31,934,082	10,092,967	8,652,612	1,440,354

2.2.2 Performance of Revenue Collection

Audit Observations	Recommendations	Comments of the accounting officer
(a) An amount of Rs.1,865,376 had not been collected from the total billed income of Rs.13,076,303 and the said amount comprised of the 14 per cent of the entire billed income.	Arrears of income should be collected.	Action will be taken to collect the arrears in due course.
(b) Arrear of Assessment, arrears of capital grants, arrears of other income, Shop rent, Tender Shop fees, Water bills, and arrears of Acreage tax due from more than one-year totaling to Rs.1,332,864 had not been collected.	Action should be taken to collect balances.	Action will be taken to collect balances.

2.2.3. Court Fines and Stamp Fees

Audit Observations	Recommendations	Comments of the accounting officer
Court Fines amounting to Rs.5,616,541 and Stamp Fees amounting to Rs.5,175, 283 were to be collected as at 31 December of the year under review.	Action should be taken to recover the arrears of Court Fines and Stamp Fees	Actions will be taken in due course.

3. Operational Review

3.1 Performance

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

a) Action Plan

Audit Observations	Recommendations	Comments of the accounting officer
An action plan for the year under review had not been prepared by the Council.	Action should be taken to prepare an action plan relevant to the year.	The officers had been awarded to prepare an action plan.

b) Sustainable Development Goals

Audit observation	Recommendations	Comments of the accounting officer
Although the 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

c) Delay in performing the targeted activities

Audit observation	Recommendations	Comments of the accounting officer
Although a carbonic fertilizer manufacturing plant had been constructed in year 2015 expending Rs.5,599,209, action had not been taken to provide electricity supply and as such the work could not be started even up to the year under review.	Action should be taken to standardize the recycling process by obtaining electricity.	Although workers are used for the recycling process, recycling will be done by electricity in due course.

d) Environmental Problems

Audit observation	Recommendations	Comments of the accounting officer
Unsafe substances and Solid waste had been released to the environment without proper control.	Action should be taken in accordance with the Environmental Act.	Action will be taken to recycle waste successfully using electricity in due course.

3.2 Management Inefficiencies

Audit observation	Recommendations	Comments of the accounting officer
Action had not been taken to settle the miscellaneous creditors amounting to Rs.15,377,279 due from more than one year	Action should be taken to settle the payable balances.	Action will be taken to pay the balances immediately after receiving the money from the institutions.

3.3 Human Resource Management

Audit observation	Recommendations	Comments of the accounting officer
(a) 03 excess staff members in two positions had not been approved as at 31 December of the year under review.	Excess of staff positions should be approved.	There are 06 preschools and there should be 6 teachers
(b) 05 vacancies for 05 positions had not been filled as at 31 December of the year under review.	The vacancies of the cadre should be fulfilled.	02 Casual employees had been assigned for a single post while vacancies of one post was fulfilled. It is shown the importance of 03 vacancies.

3.4 Asset Management

Idle asset	Recommendations	Comments of the accounting officer
Road compressor costing to Rs. 875,000 received to the Saba was idle up to the year under review.	Idle asset should be utilized	The machine should be repair and action will be taken to repair it in due course.

3.5 Procurement

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 prepared

The comment had not been given.

4. Accountability and Good Governance

4.1 Internal Audit

Audit observation

Recommendations

Comments of the
accounting officer

An internal audit had not been conducted for the year under review.

Action should be taken to conduct an internal audits.

Although the council was ready for an internal audit, action had not been taken to do so.

4.2 Audit and Management committees

Audit observation

Recommendations

Comments of the
accounting officer

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, yet only 02 meetings were held in the year under review.

Audit and Management committee meeting should be held as per Circular instruction.

Action will be taken to correct.