

**Kothmale Pradeshiya Sabha**  
**Nuwara Eliya District**  
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1. Financial Statements  
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1.1 Presentation of The Financial Statements  
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The financial statements of the year 2019 had been presented to the audit on the 28<sup>th</sup> of February 2020 and the summary report of the Auditor General was sent to the chairman on 21<sup>st</sup> of May 2020 and the detailed management report sent on 19<sup>th</sup> of June 2020.

1.2 The Qualified Opinion  
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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 Kothmale pradeshiya Sabha as at 31<sup>st</sup> of December 2019 and financial results of its operations for the year then ended.

1.3 The basis for a qualified opinion  
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(A) Accounting deficiencies  
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Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(i) The balance of Rs. 113,816 in the current account number 71562716 maintained at the Pudaluoya branch of the Bank of Ceylon had been left out of the financial statements.	Actions should be taken to keep accounts accurate.	I acknowledge that accounts have been omitted.
(ii) The income debtor balance included Rs. 18,600 in water bills and Rs. 29,989 per acre in taxes incorrectly billed.	Actions should be taken to keep accounts accurate.	Although the relevant debtor balance was submitted to the Minister in charge of the subject, it has not been approved so far. I will remove it from the account after approved.
(iii) There was a difference of Rs. 4,339,807 between the sum of non-current assets and the income contribution contribution account to the capital investment.	Actions should be taken to keep accounts accurate.	The balance sheet was balanced and no such difference was found.

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| (iv) | As at 31 <sup>st</sup> of December of the year under review, an additional audit fee of Rs. 761,000 had been over accounted. | Actions should be taken to keep accounts accurate. | There are two accounts for audit fees and this difference is indicated by the fact that the amount paid is not deducted from the audit fee allocation account. I will correct in 2020 account preparation. |
| (v)  | Assets and liabilities were not presented in liquidity order when making financial statements.                               | Actions should be taken to keep accounts accurate. | Assets and liabilities will be presented in liquidity order when making future financial statements.   |

(B) Accounts Receivable and Accounts Payable

Audit observation	Recommendation	Accounting Officer's Commentary
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(i) As at 31 <sup>st</sup> of December of the year under review, the outstanding value over the year was Rs. 5,253,349.	Actions should be taken to recover the receivable balances.	This balance is coming from 2011 and will correct in future.
(ii) The total balance of two balances due over one year as on 31 <sup>st</sup> of December of the year under review was Rs. 8,396,141.	Actions should be taken to settle the payable balances.	The industrial loan balance also includes withholding money, which will be checked and settled and I will pay Rs. 50,000 per month from the pension bill.

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
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Amended by Acts No. 53 of 2000 and No. 56 of 1988 1980 National Environmental Act No. 47	The abattoir was operating illegally despite the Central Environmental Authority refusing to	Actions should be taken to obtain the environmental protection permit.	The beef stall generates more than Rs. 2 million a year in revenue and there is a risk of

issue an environmental protection permit.

loss of revenue due to its closure. I will act in accordance with the instructions of the Central Environmental Authority to obtain the license.

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31<sup>st</sup> of December 2019 amounted to Rs.35,169,328. as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 25,359,070.

### 2.2 Revenue Administration

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

Details of Estimated Revenue, Billed Income, Accumulated Income and Arrears of Revenue for the year under review are as follows. However, it was observed that there were discrepancies between the information and the financial statements.

source of income	2019				2018			
	estimated income	billed income	collected Income	total arrears as at 31 December	estimated income	billed income	collected Income	total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
rates and tax	4,902,000	5,051,858	3,418,229	1,633,630	4,229,000	4,404,781	3,217,500	,1,187,281
Rent	4,501,000	4,652,465	4,651,248	138	3,960,000	3,706,357	3,596,357	110,000
License fee	13,222,000	4,226,866	4,226,866	-	9,304,000	3,317,119	3,317,119	-
Other	6,265,000	3,674,910	3,411,407	263,503	15,968,000	21,590,999	21,590,999	-
<b>total</b>	<b>28,890,000</b>	<b>17,606,099</b>	<b>15,707,750</b>	<b>1,897,271</b>	<b>33,461,000</b>	<b>33,019,256</b>	<b>31,721,975</b>	<b>1,297,281</b>

2.2.2. Performance of revenue collection

Audit observation	Recommendation	Accounting Officer's Commentary
The provisions of Rules 32 to 80 of the 1988 Pradeshiya Sabha (Finance and Administration) had not been complied with to recover the arrears.	Actions should be taken to collect all arrears income.	Part of this arrears has been recovered. Part of it is being cut and I am working to recover the rest.

2.2.3 Court fines and stamp fees

Audit observation	Recommendation	Accounting Officer's Commentary
Court fines Rs. 1,661,486 and land transfer stamp duty Rs. 5,281,160 should be charged.	Actions should be taken to collect the relevant money.	That a part has been recovered and that the rest will be recovered.

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) Failure to obtain the expected output level

Audit observation	Recommendation	Accounting Officer's Commentary
(a) As at 09 <sup>th</sup> of August 2018, Rs. 11,112,792 had been spent for the construction of the first phase of the new two storied building of the Pradeshiya Sabha. However, despite the Council having sufficient funds, the construction of the remaining section had not commenced by April 2020, resulting in delays in receiving benefits from public funds and adverse consequences of future price increases.	Actions should be taken to complete the project as soon as possible.	Although the Central Provincial Department of Engineering has requested the Local Government Commissioner to complete the first phase and submit an estimate for the second phase, the remaining construction work of the building could not be

commenced as the estimate has not been received yet.

(b) A contract of Rs. 5,648,141 had been awarded for the project to develop Ramboda Falls as a tourist attraction and the relevant development work was contracted to be carried out between 21<sup>st</sup> of January 2019 and 19<sup>th</sup> of June 2019. The scheduled development work had not been completed by 20<sup>th</sup> of February 2020.

The project should be completed soon and generate revenue.

About 80% of the work has been completed by now and the contractor has promised to complete the work by 30<sup>th</sup> of July 2020.

(B) Solid waste management

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Audit observation

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Recommendation

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Accounting Officer's  
Commentary

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Garbage collected in the council area was dumped at Kosgahapathana and Hapugastalawa open lands and mixed waste including polythene was not disposed of properly.

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Proper waste management should be done.

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All necessary arrangements have been made to acquire the land identified for the waste recycling project and I will take action to resolve this issue as soon as the land is acquired from the Divisional Secretariat.

3.2 Management Inefficiencies

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Audit observation

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Recommendation

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Accounting Officer's  
Commentary

(a) Although the pipes had purchased for Randagalbada and sheen water schemes which were to be implemented by the pradeshiya sabha by expending Rs 1,897,315 and Rs 1,083,915 respectively in 2017 the relevant water supply schemes have not been launched.

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Actions should be taken to acquire suitable land and implement water supply schemes.

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The National Water Supply and Drainage Board has provided water facilities for the units that were proposed to be irrigated by the Shin Water Supply Scheme and I will proceed with the acquisition of a suitable land as there is no suitable land to construct the water storage tank in the

dependent water supply scheme at Randagalbada.

(b) The public toilets which had built in 2016 in Thawalanthanna at a cost of Rs. 859,070 was unable to use due to lack of providing water facilities.

Actions should be taken to getting use by providing water facility as soon as possible.

Although the relevant toilets were advertised for lease through tenders for the year 2020, the applicants did not come forward and I will take action to restore the water supply and select a suitable person to lease it.

### 3.3 Assets Management

#### Audit observation

During the year under review, a security fence had been erected around the fairgrounds in the new town of Kotmale at a cost of Rs. 658,416. Where a few years ago, several buildings built for the weekly fair and the public toilet were left in a state of disrepair and inactivity without any use.

#### Recommendation

Efforts should be made to make the idle property usable

#### Accounting Officer's Commentary

The public toilet is currently being used to store non-perishable raw materials and it is planned to carry out the relevant repairs and maintain the new town weekly fair at that location.

### 4 Accountability and good governance

#### 4.1 Budgetary Control

#### Audit observation

Although it should be prepared and presented a statement of matter describing for the variances among actual revenue and expenditures and estimated finance allocations according to the rule 193 of pradeshiya Sabha (finance and administration) rules of 1988,that statement had not been presented for describe the variances of the year under review.

#### Recommendation

Must comply with financial and administrative rules.

#### Accounting Officer's Commentary

In the coming year, I will present a statement with reasons for the fluctuations along with the financial statements.