

**Passara Pradeshiya Sabha
Badulla District**

1. Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements of the year 2019 had been presented to the audit on 27 February 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 20 July 2020 and 24 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of this report, the financial statements give a true and fair view of the financial position of the Passara Pradeshiya Sabha as at 31 December 2019, and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

a) Accounting Deficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(i) Although the construction creditors as at 31 December of the year under review had been Rs. 13,109,640, It had been accounted as Rs. 13,274,430.	It should be accounted correctly.	Not commented.
(ii) Although the capital grants receivable as at 31 December of the year under review had been Rs. 7,763,146, It had been accounted as Rs. 6,756,770.	It should be accounted correctly.	It will be corrected.
(ii) Although the grants, contributions and subsidies of the year under review had been Rs. 67,678, It had been stated as Rs. 28,833 in the statement of financial operations.	It should be accounted correctly.	It will be corrected.

b) Lack of evidence for Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- Title deeds, assessment reports and fixed asset register relating to Land & Building amounting to Rs. 105,788,698 had not been presented to the audit.	----- Required evidence should be presented for the verification.	----- Title deeds and assessment reports are not available for the lands belong to the Sabha.

1.4 Non compliance

Non compliance with laws, rules, regulations and management decisions.

Reference to laws, rules regulations and management decisions	Non compliance	Recommendation	Comments of the Accounting Officer
-----	-----	-----	-----
(a) <u>Pradeshiya sabha Act No. 15 of 1987</u> Section 127	Titles deeds, Transfer orders and survey orders had not been obtained for the 38 cemeteries in Sabha area and a Land register had not been maintained.	A land register should be maintained.	Expect to survey of lands and obtain transfer orders.
(b) Circular No. 1980/46 dated 31 December 1980 of the commissioner of Local Government	Although the properties of the Sabha should be valued once in 5 years, 20 shops of weekly fair of Passara had not been valued.	Action should be taken in accordance with the guidelines of the circular.	Valuations have been late due to officers of the valuation department have not come.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 has been Rs. 31,343,960 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 25,069,852.

2.2 Revenue Administration

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

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	Estimated Revenue	2019			2018			Arrears as at 31December
		Revenue Billed	Revenue collected	Arrears as at 31December	Estimated Revenue	Revenue Billed	Revenue collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	528,266	521,457	413,371	108,086	319,156	521,457	338,002	183,454
ii. Rent	57,440,840	16,342,203	11,411,634	4,930,569	17,096,000	9,370,872	9,334,372	36,500
iii. Other Revenue	2,350,000	2,932,974	1,528,715	1,404,259	22,781,800	3,183,974	1,538,552	1,645,422
Total	60,319,106	19,796,634	13,353,720	6,442,914	40,196,956	13,076,303	11,210,926	1,865,376

2.2.2 Performance in Revenue Collection

Audit observation	Recommendation	Comments of the Accounting Officer
(a) For the year under review, Receivable revenue from shops of Passara public market and tender shops amounting to Rs. 488,569 had not been collected.	Arrears of shop rents should be collected.	Collection has been late due to shop rents have been high. Action has been taken to collect from time to time. Reasonable solution should be given for the rents.
(b) As at 31 December of the year under review, Debtors amounting to Rs. 46,233,837 that had elapsed more than five years had not been recovered.	Receivable balances should be recovered.	Action will be taken to recover construction debtors quickly.

2.2.3 Court Fines and Stamp Fees

Audit observation	Recommendation	Comments of the Accounting Officer
Arrears of Court fines amounting to Rs. 23,275,156 and arrears of Stamp fees amounting to Rs. 6,355,657 due as at 31 December of the year under review had not been recovered.	Arrears of Court fines and arrears of Stamp fees should be recovered.	Relevant parties have been informed but arrears have not been paid yet.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

(a) By-laws

Audit observation	Recommendation	Comments of the Accounting Officer
----- Although by-laws should be imposed for 30 purposes under section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed as at 31 December of the year under review.	----- By-laws should be imposed for the purposes that by-laws have not been imposed yet.	----- Not commented.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(a) Rent of 8 shops of Passara bus station had been valued for 3 years by The valuation department in the year 2015, and a valuation for the year 2019 had not been done.	New valuation should be done.	The valuation department has been informed to value.
(b) In the year 2019, Action had not been taken regarding 21 unauthorized constructions in the sabha area.	Action should be taken in accordance with Pradeshiya Sabha Act.	Action will be taken legally.
(c) Action had not been taken to confirm the ownership of 14 lands of the sabha.	Action should be taken to confirm the ownership of lands.	Actions have been taken to survey and acquire. Further action could not be taken on lands belong to Land reform commission.
(e) As at 31 December of the year under review, expenditure creditors amounting to Rs. 2,330,596 and construction creditors amounting to Rs. 13,274,430 had not been settled.	Action should be taken to settle.	Action will be taken to settle.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
----- As at 31 December of the year under review, 9 vacancies of 5 positions in the approved cadre had not been filled.	----- Essential vacancies should be filled.	----- Relevant parties have been informed to fill the vacancies.

3.4 Assets Management

3.4.1 Idle Assets

Audit observation	Recommendation	Comments of the Accounting Officer
----- 31 units of tires and tubes amounting to Rs. 145,198 purchased by the Sabha in 2014, 2015 and 2016 had not been used, and were idle.	----- The requirement should be identified and purchased.	----- Not commented.

4 Accountability and Good Governance

4.1 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- An internal audit had not been conducted in the year under review.	----- An internal audit should be conducted.	----- The internal audit officers have not come to conduct an internal audit.

4.2 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
----- Only 02 Audit and Management Committee meetings had been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- Will be corrected in the year 2020.