

Panduwasnuwara Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year 2019 had been submitted for audit on 27 February 2020 and the summary report of the Auditor General on those financial statements and the detailed management audit report had been sent to the Chairman on 30 June 2020 and on 31 July 2020 respectively.

1.2 Qualified Opinion

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

1.3 Basis for Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The buildings and improvements constructed at the Solid Waste Centre incurring a cost of Rs. 1,296,693 had not been brought to accounts.	All capital expenditure should be properly accounted.	I kindly inform you that accounting will be done in the financial statements prepared for the financial year 2020.
(b)	The value of 124 lands and buildings owned by the Sabha had not been assessed and brought to accounts.	All lands and buildings owned by the Sabha should be assessed and brought to accounts.	I kindly inform you that we will conduct a review again and accordingly, the correct value of the assets will be accounted in the financial statements in the future.
(c)	The amount of Rs. 525,019, incurred for the construction of the drainage system of Moonamaldeniya weekly fair, had not been taken in to accounts.	All capital expenditure should be properly accounted.	I kindly inform you that action will be taken to account the expenditure in the financial statement prepared for the year 2020.

02. Financial Review

2.1 Financial results

According to the financial statements submitted, the revenue that exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2019 was Rs. 32,570,471 and the expenditure that exceeded the recurrent expenditure corresponding to the previous year was Rs. 50,339,638.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and revenue arrears submitted in relation to the year under review and for the previous year is mentioned below.

Source of Revenue	<u>Year 2019</u>				<u>Year 2018</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
I. Rates and Taxes	4,117	3,221	3,282	35	3,724	3,581	3,512	96
II. Rents	19,644	21,146	21,102	62	22,415	20,740	20,842	18
III. License Charges	1,328	1,445	-	-	1,105	1,264	1,270	-
IV. Other income	123,178	131,404	174,630	64,262	119,365	130,182	107,765	77,058
Total	148,267	157,216	199,014	64,359	146,609	155,767	133,389	77,172

2.2.2 Court Fines and Stamp Duty

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
The court fines to be received from the Chief Secretary of the Provincial Council and other officials as at 31 December 2019 had been Rs. 5,400,654	Receivable revenue should be recovered promptly.	I admit that there were Rs.5,400,654 as receivable court fines and Rs.56,033,658 as receivable stamp duty by the end of the year under review. I

and the stamp duty had been Rs. 56,033,658. Stamp duty amounting to Rs. 51,033,658 out of the amount had to be received further by 01 June 2020.

further inform that Rs.51,033,658 had to be further receivable as stamp duty. I further inform that this situation is beyond the control of the Sabha.

03. Operational review

3.1 Performance

The following are the facts revealed regarding the functions that should be accomplished by the Sabha for the regulation and control of matters pertaining to public health, public utility services and public roads and for the convenience and welfare of the people under Section 3 of the Pradeshiya Sabha Act.

(a) By-laws

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although by-laws should be enacted for the accomplishment of 30 major matters under Section 126 of the Pradeshiya Sabha Act, by-laws had been enacted only to accomplish 09 matters by the year under review.	Operations should be carried out in accordance with the by-laws enacted and adopted and new by-laws should be enacted as required.	Two By-Laws have been drafted to cover two identified areas of current needs and one draft has been forwarded to the Secretary to the Chief Ministry through the Commissioner of Local Government to confirm its accuracy.

(b) Non-performance of Budgeted Tasks

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Seventeen (17) budgeted industries worth Rs. 5,025,955 had not been completed by the year under review.	Action should be taken to meet the budgeted industries.	Although estimates have been prepared for these projects, I kindly inform you that they could not be completed within the year under review due to heavy rains and lack of supply of the raw materials.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the assessment reports, monthly rental of Rs. 70,000 should be charged for the building maintained by the CWE from October 2019. However, monthly rental of Rs. 60,000 had been charged and as a result, a loss amounting to Rs. 30,000 had been incurred in relation to 3 months of the year under review.	Action should be taken to recover the due rent.	As pointed out by the audit, it has been decided to charge the former rent until the receipt of the relevant revised rental assessment subsequent to considering the appeals submitted in letters dated 05.11.2019 and 02.12.2019 and the current conditions of this building, prior to charging the monthly rental of Rs.70,000.
(b) A revenue amounting to Rs. 1,053,000 had been lost as 04 shops of the multipurpose building were closed during the year under review,	Shops should be tendered and action should be taken to generate revenue.	Even though the shops pointed out by the audit had been taken on lease by the shopkeepers, they have taken action to return the shops to the Sabha stating that it is not possible to conduct the shops at a loss.
(c) The balance of accounts receivable as at 31 December 2019 was Rs.72,045,032 and an amount of Rs. 10,187,613 out of that amount had been outstanding for more than one year.	Action should be taken to recover billing for the year during the same year.	Action will be taken to recover arrears of assessment tax, acreage tax and water tax and I kindly inform that action would be taken in the future to obtain the value totaling to Rs. 1,681,871.65 further receivable as capital assistance. It is informed that the court fines and stamp duty receivable were Rs. 5,400,654 and Rs. 51,033,658 respectively and this situation is beyond the control of the Sabha.
(d) The balance outstanding for more than one year by 31 December 2019 was Rs.13,316,301 and the balance of the miscellaneous deposits outstanding for more than 05 years out of such balances was Rs.363,948.	Action should be taken to settle the balances payable.	I kindly inform you that the amount that should be further payable would be paid soon.

3.3 Human Resource Management

(a) Employee Vacancies and Excesses in Employees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- There were 19 vacancies in relation to secondary and primary services and there were 08 excesses and 18 employees had been recruited on contract basis.	----- Action should be taken to recruit for vacancies and to get approvals for the excess staff.	----- I would like to further inform you that the posts in excess have been submitted to get the approval and the employees working on contract basis have been recruited subject to the approval of the Commissioner of Local Government for extending the period of contracts once in every 06 months.

(b) Loans of Employees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- There were 19 loan balances amounting to Rs. 333,038, of which the period could not be specified by the end of the year under review and two balances amounting to Rs. 8,151 related to a period of 01 year to 02 years.	----- Action should be taken to recover the outstanding loan balance.	----- I kindly inform you that arrangements have been made to recover one outstanding loan from the pension gratuity and activities would be done further for the rest by a justification committee.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Valuation of the property for charging assessment tax had not been carried out once in every 05 years.	Action should be taken in terms of the provisions of the Circulars.	I hereby inform that the necessary steps will be taken to carry out the new assessment after the publication of the map containing the relevant area of jurisdiction in the Gazette by the Assistant Commissioner of Local Government.
(b) Four (04) shops had been leased out for 32 years without entering in to an agreement and 12 shops had been leased out for 03 months to 02 years and 04 months without entering in to agreements.	The property owned by the Sabha should be leased out through formal agreements and action should be taken to alter the agreements periodically.	Even though it has been notified to sign the agreements in several occasions, action has not been taken to sign the agreements.

3.5 Asset Management

3.5.1 Assets that have not been taken over

Audit Observation	Recommendation	Comments of the Accounting Officer
There were 134 cemeteries not taken over by the Sabha.	Action should be taken to take over.	It is kindly informed that 08 cemeteries have been surveyed and boundary stones have been laid and plans have been drawn under the supervision of the Survey Department and arrangements have been made to take over these cemeteries.

3.5.2 Idle Assets

----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The construction and installation of the Mavi Ela weekly fair was deteriorating as it had not been operational since 2018.	Action should be taken to identify idle assets of the Sabha and to utilize them productively.	I admit that the Mavi-ela weekly fair was overgrown with weeds at the audit examination as it was idling and that there were no light bulbs, electrical appliances and accessories installed in the buildings. The Mavi Ela Weekly fair, constructed using the provision of the Chief Minister of the North Western Province, is equipped with all the facilities.