

Pannala 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 30 March 2020 and the summary report of the Auditor General on those financial statements had been sent to the Chairman on 10 July 2020 and the detailed management audit report had been sent to the Chairman on 10 July 2020.

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 Pannala 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)	Interest income for the fixed deposit related to the year under review had been understated by Rs.163,804.	Income related to the year should be properly accounted.	I will correct it by the final financial statements for the year 2020.
(b)	Although the estimate of the stamp duty receivable in the year 2018 was Rs. 40,000,000, the amount had been stated in accounts as Rs. 4,000,000. However, in the rectification of accounts, a sum of Rs. 36,000,000 had been brought to accounts as income of the year instead of crediting the amount to the accumulated fund. As a result, the surplus for the year	Should be properly reconciled in the accounts.	I will rectify it by the final financial statements for the year 2020.

had been overstated by that amount.

- (c) According to the financial statements of 03 account balances for the year under review, there was a difference of Rs. 923,073 between balances in accordance with balances and schedules.
- Balances of the financial statement should be reconciled with schedules.
- It was possible to reduce the difference by Rs. 218,255.95 after examining the reasons for the difference in loans of employees and it was not possible to find the remaining difference.
- I would like to inform that the difference between financial statements and schedules is a difference prevailing for a longer period of time.

1.4 Non-compliance

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

Instances of non-compliances with provisions of Laws, Rules and Regulations are mentioned below.

Reference to Laws, Rules, Regulations and Management Decisions	Non -Compliance	Recommendation	Comments of the Accounting Officer	
Pradeshia Sabha (Finance and Administration) Rules of 1988	Rule 218	All the lands and buildings of the Sabha had not been inspected and there were discrepancies between the schedules and the register of lands and buildings.	Action should be taken in compliance with the Rules.	At present, discrepancies have been identified between the schedules of the final account and the land registers and action will be taken to include those lands in the final account and schedule of the year 2020 and to correct final account and schedule and to update the fixed assets (land) register.

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. 91,103,432 and the expenditure that exceeded the recurrent expenditure corresponding to the previous year was Rs. 89,654,732.

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	14,747	14,359	13,232	3,043	10,254	9,820	8,277	2,245
ii. Lease Rent	25,836	23,929	24,577	2,148	22,546	23,237	21,842	2,267
iii. License Fees	1,386	1,332	1,332	-	1,386	1,378	1,378	-
iv. Other Income	24,795	24,513	24,513	-	12,733	12,693	12,693	-
Total	66,764	64,135	63,655	5,192	46,919	47,129	44,191	4,512

Note – Revenue amounting to Rs. 3,970,617 out of the revenue collected during the year 2019 was revenue arrears in previous years.

2.2.2 Rate and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
There was assessment tax amounting to Rs. 332,938 and acreage tax amounting to Rs.515,803, that could not be recovered and had been prevailing for a period more than 03 years in the sub offices.	Assessments and taxes should be collected in accordance with the Provisions and Rules of the Pradeshiya Sabha Act.	I would like to inform you that action will be taken to recover this arrears by the end of the year 2020.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The rental income to be recovered by 31 December in the year under review was Rs. 2,148,906 and a sum of Rs. 1,440,363 out of the rental income was to be recovered by the end of May 2020.	Arrears of rental should be recovered as per the agreements.	Measures have been taken to recover Rs. 708,542 out of the arrears by the end of May 2020. The balance of arrears will also be recovered by the end of this year.
(b) The arrears prevailed in three sub offices from 2008 to 2018 was Rs. 451,645.	Action should be taken to recover the arrears in rental.	Action has been taken to recover Rs. 2,244,896 including the arrears of the year 2019 by 31 December 2019 out of this deficit remained by the end of the year 2018.

2.2.4 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The court fines receivable from the Chief Secretary of the Provincial Council and other officials as at 31 December of the year under review was Rs. 8,876,123.	Action should be taken to recover court fines.	The court fines amounting to Rs. 8,551,125 has to be recovered out of the court fines that should be receivable by the end of the year 2019 and action is being taken at the moment to recover the amount.

(b) The stamp duty receivable by 31 December in the year under review was Rs. 81,585,143.

A procedure has to be adopted to recover the stamp duty.

The money of the previous years will also be received in this year since the money will not be received in the relevant year. Likewise, an amount of Rs. 91,585,143 has to be received from Registrar's Offices in Kurunegala and Kuliypitiya for the years 2018 and 2019.

03. Operational Review

3.1 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) It was not possible to recover key money amounting to Rs. 4,636,771 from 08 shops in the Kadanegedara shopping complex and key money amounting to Rs. 220,332 from 02 shops in the Wetakeyawa shopping complex.

Action should be taken to recover key money in accordance with the agreements.

A sum of Rs. 166,660 has been paid for shop number 05 in Kadanegedara. Action will be taken to recover the outstanding arrears in the future. Key money would be recovered for 02 shops in the Wetakeyawa Marketplace complex in the future.

(b) Rentals amounting to Rs. 444,450 had to be recovered from the shops in the Watakeyawa shopping complex and action had not been taken to reacquire the shops again when there was arrears for more than 03 months as per the relevant agreement.

Action should be taken in compliance with the agreements to recover arrears.

A sum of Rs. 377,850 has been recovered out of the arrears rental s that should be recovered from the shops in the Wetakeyawa shopping complex.

3.2 Human Resource Management

3.2.1 Employee Vacancies and Excesses of Employees

Audit Observation	Recommendation	Comments of the Accounting Officer
The number of vacancies prevailed in the approved cadre as at 31 December 2019 was 36 and there was an excess of one office labourer.	The due vacancies have to be filled and the excesses have to be approved.	I would like to inform you that recruitments will be made expeditiously in the future and the other vacancies will be filled after getting the formal approval.

3.3 Asset Management

3.3.1 Not Recording Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The fixed asset registers had not been maintained properly and systematically and the assets of the sub-offices had not been included in the asset registers of the Head Office.	Fixed asset registers should be maintained in an updated manner.	At present, discrepancies between the final accounts schedules and the land registers have been identified and action will be taken to include those lands in to the final account for the year 2020 and to the schedule and to correct them and to update the fixed assets (land) register.

3.3.2 Idle / Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken in relation to registering the imported Nissan fire truck with the Sabha and using it for any other productive purpose.	Action should be taken to utilize idle assets productively.	The machine has been directed to the Department of Motor Traffic for registering the machine in the name of the Sabha. The machine should be weighed in order to register it in the name of the Sabha and the machine has

to be submitted back to the Department of Motor Traffic. I kindly inform you that further action is being taken accordingly.

(b) A shop in Kadanegedara Shopping Complex and another shop in Makandura Shopping Complex remained idle even up to 22 May 2020.	Action should be taken to earn revenue from shops.	Action is being taken to charge the key money to the Sabha and to lease out the No. 10 Shop to another person in the future as payment of key money for shop No. 10 has been delayed. Even though it has been informed to attend to sign the Agreement for Room No. 04, they have not yet come to sign the agreement and therefore, the lease is not charged. Action will be taken to lease the shop to another person in the future.
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3.3.3 Assets that had not been taken over

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Only 16 cemeteries out of the 120 cemeteries owned by the Sabha had been taken over.	Action should be taken to take over and to protect the property owned by the Sabha.	Sixteen (16) cemeteries out of 120 cemeteries have been taken over by the Sabha and requests had been made to Pannala Divisional Secretariat to transfer the 58 surveyed cemeteries to the Sabha. I would like to inform you that action pertaining to the transfer of 58 cemeteries as requested by the Sabha will be transferred to the Sabha in the future.
(b) Eighteen (18) lands enjoyed by the Sabha had not yet been taken over.	Action should be taken to take over the lands.	I kindly inform you that these transferring activities will be carried out in the future.