

Raththota Pradeshiya Sabha

Matale District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements for the year 2019 were submitted for audit on 28 February 2020 and the Auditor General's summary report and Detailed Management Audit Report on those financial statements were sent to the Chairman on 31 May 2020.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the section 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 financial position of the Raththota Pradeshiya Sabha as at 31 December 2019 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

1.3.1 Accounting Deficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
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(a) The stamp duty income for the year had been understated by Rs. 1,048,584.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(b) The court fine income for the year had been understated by Rs. 469,000.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(c) Five balances amounting to Rs. 548,035 which was not to be received had been accounted under the debtors.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(d) Four plots of land valued at Rs. 259,850 had not been accounted for.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(e) The reception counter worth Rs. 46,175 received as a donation had not been taken into account.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.

(f)	The value of 2 water filters received as donations had not been assessed and accounted for.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(g)	An amount of Rs. 100,000 which spent on the Udahapuvida Kampitiya road development industry had not been taken into account.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(h)	The value of the Rattota Town Hall building renovation industry was over accounted by Rs. 668,618.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(i)	Four industries worth Rs. 1,825,000 which had not been implemented were accounted for under creditors.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(j)	An amount of Rs.867,265 which received in respect of surcharges imposed on Members and Officers of the Sabha had been stated under creditors.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(k)	Rs. 5,536,422 which could not be identified as payable had been mentioned under the store creditors.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(l)	An amount of Rs.928,089 which was not payable as per the contract document and files had been accounted for as industrial creditors.	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.
(m)	While it had been completed the payments of the project of the Raththota Gammaduwa Road, an amount of Rs.200,000 had been stated under creditors	The accounts should be corrected.	I accept the observation. I will correct in the year 2020.

1.3.2 Non reconciled control accounts

Audit observation

Recommendation

Accounting Officer's

Commentary

It had been observed a difference of Rs. 23,041,104 when compare the total amount of Rs. 121,877,636 of 05 accounts subject stated in the financial statements with their relevant schedules supporting documents.

The accounts should be corrected.

I accept the observation. I will correct in the year 2020.

1.3.3 Suspense Account

Audit observation

Recommendation

Accounting Officer's

Commentary

The suspense account balance which coming from the year 1997 amounting Rs.15,462 had not been settled by identifying.

The accounting error needs to be identified and corrected.

I accept the observation.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Audit observation

Recommendation

Accounting Officer's

Commentary

There were receivable balances of more than 1 year and less than 05 years Rs. 10,895,574 and balances of Rs. 3,105,518 which had not been settled for more than 5 years.

Action should be taken to recover the amount due.

I accept the observation.

(b) Accounts Payable

Audit observation	Recommendation	Accounting Officer's Commentary
There were balances of more than 1 year and less than 5 years of Rs.15, 048,818 and balances of Rs.7, 237,644 which had not been settled for more than 5 years.	The creditors balance should be settled.	I accept the observation.

1.3.5 Lack of written evidence required for the audit

Audit observation	Recommendation	Accounting Officer's Commentary
The evidence relating 03 accounting subjects amounting to Rs.63, 891,876 had not been presented.	Documents and survey reports should be prepared and updated.	I accept the observation.

1. 4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

References To laws, rules ,regulations and management decisions	Value	Non-compliance	Recommendation	Accounting Officer's Commentary
(a) Article 24 of Pradeshiya Sabha Act No 15 of 1987	-	A document containing all the roads belonging to the Sabha had not been kept up to date.	A document of the streets must be maintained.	I will take actions to update the document.
(b) Pradeshiya Sabha (Financial and Administrative) of 1988 Rules 218	-	All lands and buildings owned by the Sabha have not been surveyed every year.	The asset survey should be completed expeditiously.	An asset survey has been conducted since 2017.

- (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka
FR 571 (3) 116,294 A sum of money related 9 cases was kept in the public deposit account. Financial regulations must be followed. I will act in accordance with FR 571 (a).

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2019 amounted to Rs.12,240,576 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.15,204,547.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed amount of Revenue, collected Revenue and outstanding Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and for the previous year are as follows.

Source of Income	2019				2018			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st	Estimated Revenue	Billed amount of revenue	Revenue collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates Taxes	1,300,000	1,402,688	827,020	1,686,002	1,355,152	1,381,466	1,696,965	1,219,752
(ii) Rent	2,706,520	2,801,718	2,357,577	1,846,897	3,024,580	2,646,529	2,646,529	1,402,757
(iii) Licences fees	900,000	648,436	648,436	-	750,000	902,625	902,625	-
(iv) other revenue	8,169,494	7,792,027	6,927,984	9,024,950	20,264,358	8,150,147	12,400,595	8,170,707
total	13,076,014	12,644,869	10,761,017	12,557,849	25,394,090	13,080,767	17,646,714	10,793,216

2.2.2 Rates and Taxes

Audit observation	Recommendation	Accounting Officer's Commentary
According to Sections 32 and 42 of the 1988 Pradeshiya Sabha Rules, assessment licenses had not been issued to prohibit the property of persons who were in arrears.	Attention should be paid to Section 159 (i) of the Pradeshiya Sabha Act No. 15 of 1987.	I accept the observation.

2.2.3 Rent

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Agreements had not been renewed after obtaining a new valuation for 96 shops owned by the Sabha.	Stall agreements need to be renewed after obtaining a new valuation.	91 shops have been assessed and the remaining 5 shops have been requested for valuation.
(b) The original lessees of 35 shops belonging to the Council had sub-leased shops for the rent range of Rs. 6,000 to Rs. 25,000.	Should be checked and taken necessary action.	A survey has been conducted to confirm the information.
(c) The Leaseholder had taken legal action against the Sabha when the original Leaseholder of Room No. 03, Ranjan Wijeratne Mawatha was found dead and the Interim Leaseholder was allowed to carry on the business and was subsequently removed by the Sabha.	Should be legally settled.	The case arose out of a dispute between an employee of the lessee who was legally leased by the Sabha, as there was no interim tenant in the relevant shop.
(d) No action had been taken to collect the shop room rent of Rs. 163,837 due for box shops.	Arrears of rent are should be recovered	I accept the observation.

2.2.4 License Fee

Audit observation	Recommendation	Accounting Officer's Commentary
As at 31st December of the year under review, the outstanding license fee balance which coming from the year 2000 was amounting to Rs. 405,686.	Action should be taken to recover the license fee due.	I accept the observation.

2.2.5 Other Revenue

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Water Charges		
(i) As at 31st December 2019, there was a deficit of Rs. 8,616,061 in water charges and adequate action had not been taken to recover the aforesaid water deficit. This balance was consist with Rs. 1,257,266 which coming from the year 1998 and amount of Rs. 1,659,161 for the current disconnected water connections and could not find out the releavant informations.	Action should be taken to recover the water charges that can be recovered expeditiously and to conduct a proper investigation and make appropriate action on non-recoverable balances.	I accept the observation.
(ii) The quality of water distributed in 8 water projects had not been inspected.	It should be released Quality clean drinking water.	I would like to inform you that action has been taken to check the quality of the water.

(b) Threewheler Chagres

There was no survey of three-wheelers in the area and no parking was introduced.

A by-law should be passed to regulate three wheelers.

A new by-law has already been drafted and a survey has been conducted accordingly

(c) Other Revenue

No action had been taken to recover Rs. 582,800 due for the transport of pelfa from the pelfa mine in Kaikawala.

Action should be taken to recover the revenue due.

I accept the observation.

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) By-Laws

Audit observation

Recommendation

Accounting Officer's
Commentary

Seven by-laws had not been enacted.

Action should be taken to enact by-laws.

I accept. I will take steps to enact by-laws in the future.

(b) Abandoned Tasks

Audit observation

Recommendation

Accounting Officer's
Commentary

The construction of the rest house for the workers, which was estimated at Rs. 400,000, had not been completed until 20 May 20, 2020.

Planned matters must be carried out without delay.

No comments.

(c) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's

Commentary

According to the circular No. NP / SP / SDG / 17 of the Ministry of National Policies and Economic Affairs dated 14th August 2017, the plans for achieving the Sustainable Development Goals had not been formally prepared.

Actions should be taken in accordance with circular instructions

I would like to point out that the shortcomings of the plan will be identified and planned in the future..

3.2 Management Inefficiencies

Audit observation

Recommendation

Accounting Officer's
Commentary

(a) While it had been submitted The Polwattakanda water project which was constructed by the Pura Neguma project at a cost of Rs. 29,717,248 with several deficiencies, the security guarantee amount of Rs. 1,485,862 of it had been returned to the Commissioner of Local Government without rectifying the deficiencies.

Deficiencies need to be rectified quickly.

I will work to rectify the deficiencies in the future and bring the security guarantee back.

(b) During the year under review and the previous 3 years, 487 building applications had been submitted and 364 had been approved and only 41 certificates of conformity had been issued.

Action should be taken to issue certificates of conformity.

In the future I will send letters for approved building plans that are over 2 years.

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
(a) As at 31 August 2019, there were 21 staff vacancies.	Action should be taken to fill the vacancies.	I accept. Actions are underway to fill the vacancies.
(b) Four road workers who are employed were engaged in other duties.	Employees should be assigned to regular duties.	Due to the existence of vacancies, this has to be done.
(c) A loan balance of Rs. 53,457 which to be received from five officers who had left the service for a long time and died had not been recovered.	Action should be taken to recover the outstanding debt balance.	I will write off arrears that have existed for many years from employee debt records and recover other debts.

3.4 Operational Inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
(a) No action had been taken to take over the ownership of 34 buildings and 22 cemeteries used by the sabha.	Action must be taken to acquire the legal right	I will take over as soon as the survey is completed.
(b) Unauthorized occupants of Ankeli Madilla and Kiwula cemeteries had settled due to non-acquisition of lands and legal action has been taken with the Council at present. It had spent Rs. 46,500 on the Ankelimadilla land as lawyer fees.	Action must be taken to acquire ownership.	Work is underway to take over the Kiwula Cemetery and a lawsuit is pending against the Ankelimadilla Cemetery.
(c) No action had been taken to settle 11 advance balances amounting to Rs. 174,687 provided for various activities during the period from 1999 to 2010.	Action should be taken to settle the advance.	I accept the observation.

3.5 Assets Management

Idle/ Underutilized Assets

Audit observation	Recommendation	Accounting Officer's Commentary
Seven vehicles worth Rs. 944,400 were unusable, inactive and underutilized	Action must be taken to eliminate.	I will auction the vehicles according to the prescribed procedure.

3.5.2 Vehicle utilization

Audit observation	Recommendation	Accounting Officer's Commentary
(a) An amount of Rs.30,760 had been misused for 296 liters of fuel stated as for the fuel for the compactor by presenting the fake running charts as ran 434 kilometres During the year under review.	A formal investigation should be conducted and necessary action taken.	I will take action to recover the relevant amount from the driver.
(b) A sum of Rs.112,029 had been misused for 1077 liters of fuel up to 2693 km more than the mileage of the tipper	A formal investigation should be conducted and necessary action taken	I have inquired about this from the driver and I would like to inform you that necessary action will be taken in the future.
(c) It had been misused an amount of Rs.234,416 for 2253 liters of fuel by stating more 5637 kilometers on the running charts than the milometer of the water bouser. The value could be increased as per the non-writing of the daily running charts from 24 April 2019 to 06 October 2019.	A formal investigation should be conducted and necessary action taken.	The milometer of this car has been inactive since 2018 and I would like to inform you that only the running charts will be recorded in the future.

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| (d) | A total of Rs. 454,559 had been expended for 4225 fuel liters for using 95 machine hours and for running 19391 kilometres without certifying as the running of 04 vehicles. | A formal investigation should be conducted and necessary action taken | I would like to inform that the drivers have been informed to maintain the running charts. |
| (e) | A sum of Rs. 251,500 had been spent for making the canopy of the Cab by obtaining the hand prices from another institute on 28 December 2019 by taking actions externally for the technical evaluation committee and tender boards. | The formal methodology should be followed. | Repairs were carried out by the company that obtained the hand prices due to its low cost, long warranty period and high quality and standard. |

3.6 Informal transactions

 Audit observation

 Recommendation

 Accounting Officer's
 Commentary

rent arrears of Rs. 171,100 for the time period of 2017 to 2019 for long term lease of the land of 3 rodi and 37.5 perches to the Police Station without prior approval from the ministry in charge of the subject, had not been recovered In terms of Section 19 (1) (xi) of the Pradeshiya Sabha Act No. 15 of 1987.

Action should be taken to enter into agreements and charge fees.

.I accept. An agreement has been prepared and sent for signing and the Police Department has been informed about the non-payment of rent for the period.

3.7 Identified losses

Audit observation

Recommendation

Accounting Officer's
Commentary

The General Assembly had halted the sale of these vehicles on 06.07.2018, although it had planned to sell the vehicles to the tenderers who had submitted the highest bids in 2018 for the sale of six obsolete vehicles. Later in December 2018, when the highest bidders were contacted, the bidders refused to buy. As a result, Rs. 492,000 had lost Since selling one vehicle at Rs.786, 000 to tenderer who applied Rs.1,278,000. The remaining 5 vehicles have not been sold so far

An inquiry should be conducted in this regard and necessary action should be taken.

I accept. At present, the vehicles are being auctioned according to the prescribed procedure.

3.8 Procurement

Contract Administration

Audit observation

Recommendation

Accounting Officer's
Commentary

(a) Developing the Wanaraniya Fawzee Road - Rs.447.640

(i) Concrete was used for drains without the supervision of a technical officer of the House.

The contracting association must be badly documented.

Construction has been carried out by the Society without supervision.

(ii) While the bottom of the drain which had been constructed had been washed to a distance of about 16 feet and no reinforcement wires had been applied to those places. Although the bottom of the concrete drain was supposed to be 6 inches thick, but it was 3 1/2 inches thick.

The work should be done with proper supervision.

I would like to inform you that the relevant technical officer has not recommended payment for that part and no payment has been made.

(b) Rattota Papolayaya Road
Renovation - Rs. 1,000,000

(i) The 156 'x 2'-5" x 0-6 "safety bund constructed to control the water runoff on the right side of the concrete road surface was constructed using weak concrete mixes that could easily break when inspected at several locations.

The work should be carried out to the estimated standard with proper supervision.

I will obtain a quality inspection report for the safety wall and inform you that no payment will be made if the concrete used here is in an unsuitable condition.

(ii) Although the concrete road was constructed in such a way as to drain the water to the drain on the right side of the concrete road level, there was a risk of water accumulation in the road without draining in many places

The work should be carried out to the estimated standard with proper supervision.

I will inform you that action will be taken to rectify those deficiencies before paying the bills

(c) Reconstruction of Polwatta new
Buddhist Temple road -
Rs. 1,000,000

(i) Concrete pavement constructed using a mixture of 1: 2: 4 (19 mm) cement was weakened without contact with the cement, sand and stone at the level of easily breaking after about one inch depth.

The work should be carried out to the estimated standard with proper supervision.

I would like to inform you that this section will be repaired by the relevant society.

(ii) There was a risk of harm to passengers and vehicles traveling on the road due to the fact that the sides of the concrete road were not filled with shoulders.

The safety of vehicles and passengers must be ensured.

I would like to inform you that steps will be taken to reduce the risk to traffic and passengers by filling the soil on both sides In the future.

4 Accountability and Good Governances

Audit and Management Committees

Audit observation

Recommendation

Accounting Officer's
Commentary

Although it should be held an audit and management committee once in every quarter according to the letter CPC/CLG/1/9/1/4 of Commissioner of Local Government dated on 08 August 2014 and the letter CPC/CMC/1/6 of Chief Secretary of the Central Province dated on 01 August 2014 those had not been held.

Actions should be taken in according to the circular instructions.

I accept the observation.