

Laggala Palegama Pradeshiya Sabha

Matale 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 the 30 April 2020 and the summary report of the Auditor General had been sent to the Chairman on 29 May 2020 and the detailed management report regarding the financial statements had been 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 Laggala Pallegama 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

Accounting Deficiencies

Audit Observation	Recommendation	Accounting Officer's Commentary
(i) The value of Rs.2,801,950 of machinery and equipment which had received as donations and furniture and fittings worth of Rs.532,385 had been debited to the relevant assets accounts and credited to the account of revenue contribution to the capital account and also it had been credit to the suspense account again.	Accounts should be corrected.	I inform you that it will be corrected.

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|-------|---|-------------------------------|---|
| (ii) | The industrial creditors balance had been under accounted by an amount of Rs.247,605. | Accounts should be corrected. | I inform you that it will be corrected. |
| (iii) | Although the total of received deposit within the year under review was amounting to Rs.210,923 it had been accounted as Rs.84,375, so the payable deposit account had been understated by an amount of Rs.126,548. | Accounts should be corrected. | I inform you that it will be corrected. |
| (iv) | A revenue amount of Rs.14,811 which could not related to the year under review or previous year had been debited to the receivable interest account and credited to the accumulated surplus account. | Accounts should be corrected. | I inform you that it will be corrected. |
| (v) | The receivable interest account had been under accounted by an amount of Rs.406,394. | Accounts should be corrected. | I inform you that it will be corrected. |

(b) Non Reconciled Accounts

Audit Observation

It had been observed a difference of Rs.5,435,970 of total amount of Rs.33,506,079 of 15 accounts balances stated in the financial statements with their relevant schedules supporting documents.

Recommendation

Actions should be taken to correct the account balances by comparing the differences of the balances.

Accounting Officer's
Commentary

Comments had not been given.

(c) Suspense Accounts

Audit Observation

Recommendation

Accounting Officer's
Commentary

Action had not been taken to corrected the balance of Rs.243,120 in the suspense account as at the end of the year under review.

Accounts should be corrected by investing the reasons for the differences.

I inform you that it will be corrected.

(d) Lack Of Written Evidence Required For The Audit

Audit Observation

Recommendation

Accounting Officer's
Commentary

The acceptable evidence relating 12 accounting subjects worth of Rs.27,616,455 had not been presented to the audit

It should be presented the written evidences which verified the balances.

It had informed as it will be presented to the audit in future by preparing the documents which had pointed out.

1.4 Non-Compliance

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

References
To laws,rules,
regulations and
management
decisions

Non-compliance

Recommendation

Accounting
Officer's
Commentary

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka 396

Action had not been taken regarding the 03 cheques which had elapsed 06 months.

Action should be taken as per the FR396

I inform that it will be corrected according to the Rules and regulations.

(b) Section XXIV (3.5) of the Establishment Code of the Democratic Socialist Republic of Sri Lanka

Distress loan had been paid without complying for the limit of 40 percent for 05 officers.

Actions should be taken according to the Establishment Code.

I inform you that the action will be take according to the Establishment Code when paying the

(c)	1988 Pradeshiya Sabha (Financial and Administrative) Sub Rule 178(1)	The tender board had not been appointed by the proposal and approval of the Sabha.	Action should be taken according to the Pradeshiya Sabha rules.	loans in future. I inform you that the action will be taken according to the Pradeshiya Sabha rules in future.
(d)	Section IV(a) of gazette no.1914/40 dated on 15 May 2015 of the Democratic Socialist Republic of Sri Lanka	An amount of Rs.165,000 had been paid for 11 members who could not members participated for the meetings without obtaining the approval of the Sabha.	The pay should be done after taking actions according to the gazette announcement.	I inform you that it had been informed the Chaiman by the members through the telephone.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of recurrent revenue over recurrent expenditure for the year ending 31 December 2019 amounted to Rs.1,567,646 as compared with the corresponding excess of expenditure over recurrent revenue for the preceding year amounted to Rs.659,500.

2.2 Revenue Administration

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

Details of Estimated Revenue, Billed Income, collected Income and Arrears of Revenue for the year under review and previous year are as follows.

Source of revenue	2019				2018			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as at 31 December	Estimated Revenue	billed revenue	Revenue collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	538,200	837,412	435,843	401,569	705,056	169,107	302,956	861,151
Rent	68,600	297,470	296,820	650	41,600	54,190	39,770	14,420
License fees	525,000	401,981	385,231	16,750	250,000	322,800	322,800	-
Other Income	1,800,000	2,679,349	1,204,562	1,474,787	2,800,000	1,723,353	913,155	810,198
Total	2,931,850	4,216,212	2,322,456	1,893,756	3,796,656	2,269,450	1,578,681	1,685,769

2.2.2 Rent

Audit Observation	Recommendation	Accounting Officer's Commentary
(a) Action had not been taken to settle the rent income (tractor) of Rs.177,783.	Arrears rent income should be recovered.	I inform you that the action will be taken to collect the arrears rent income in future.
(b) An amount of Rs.110,430 had been remained to be received as the arrears shop rent and arrears house rents as at the end of the year under review.	Arrears should be recovered promptly.	I inform you that the action will be taken to collect the arrears rent income amounts in future.

2.2.3 Environmental License Fee

Audit Observation

Actions had not been taken to issuing the environmental license by doing investigation for the 72 institutions including concrete productions workshops, poultry farm, paddy mill which should be obtained the environmental licenses.

Recommendation

the environmental license should be issued as per the National Environmental Protection Act by doing an investigation.

Accounting Officer's Commentary

I inform you the the actions will be taken to issue the environmental license to the

2.2.4 Water Charges

Audit Observation

Action had not been taken to recovered an amount of Rs.231,897 which had stated as the water connection fees from several years.

Recommendation

The arrears water charges should be collected immediately.

Accounting Officer's Commentary

I inform you that the action will be taken to collect them promptly.

2.2.5 Other Revenue

Audit Observation

Although the charges which should be charged from the notice boards in the area of the authority of the Sabha had been published on the gazette by deciding, actions had not been taken to recovered revenue from them.

Recommendation

Actions should be taken to collect revenues.

Accounting Officer's Commentary

I inform you that the action will be taken to recover the income from the notice boards which had pointed out.

2.3 Surcharge

Audit Observation

A surcharge amount of Rs.362,772 had been imposed against the responsible parties by me according to the provisions of the sub section 172(3) of the Poradeshiya Sabha act no 15 of 1987.

Recommendation

The surcharge value should be recovered.

Accounting Officer's Commentary

I inform you that action will be taken to recover.

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

While the action had been taken to enacted by-laws for fulfil 17 main matters under section 126 of the Pradeshiya sabha act, actions had not been taken to enact the by-laws for other matters as at 31 December 2019.

Recommendation

The by-laws regarding the all matters should be imposed.

Accounting Officer's
Commentary

I inform you that the actions will be taken to enact the bylaws on the other matters in the future.

(b) Action Plan

Audit Observation

Although it had been prepared an annual action plan by stating the tasks which should be done by the Sabha as per the enacted by-Laws but the financial targets had not been stated therein.

Recommendation

The financial targets should be included to the annual action plan.

Accounting Officer's
Commentary

I inform you that it will be corrected in future.

(c) Solid Waste Management

Audit observation

Recommendation

Accounting Officer's

Commentary

Garbage quantity near 03 tons which collected within the area of the authority of the Pradeshiya Sabha for one month had been dumped in to a land at the area informality without separating.

It should be manage the garbage properly.

I inform you that it had been requested from the Mahaweli Development Authority for obtained a land plot which necessary for garbage management.

(c) Sustainable Development Goals

Audit Observation

Recommendation

Accounting Officer's

Commentary

Although it had been stated as the necessary actions are taking to achieve the sustainable development goals, actions had not been taken to effect even the basic actions.

Necessary actions should be taken to achieve the Sustainable Development Goals.

I inform you that the necessary actions are undertaking.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Although the sum of Rs.1,343,710 which had received for a repairing of a Cab in the year 2016 from the Department of Local Government had been remained under common deposits since the repairs could not be completed rightly, the relevant amount had not been remained in the Sabha fund.	The amount which had received for the repairing the cab should be remained in the Sabha fund.	I inform you that it will be corrected.
(b) Although the relevant officer had been transferred, a distress loan instalment amount of Rs.79, 986 which had detained in the general deposit account from the year 2017 had not been settled.	The loan amount should be settled.	I inform you that it will be corrected.
(c) An amount of Rs.78,720 which had received for compost bins under the Provincial Specific Development Grants in the year 2016,had been detained in the deposit account.	The balance in the deposit account should be corrected.	I inform you that it will be corrected.

3.3 Human Resource Management

Audit Observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Employee Vacancies and surplus ----- As at 31 December of the year under review, while there were 15 vacancies in the staff, 13 vacancies of them were positions of secondary level.	Staff vacancies must be completed.	I inform you that it had been informed the top management about the vacancies.

(b) Action had not been taken to recovered an amount of distress loan amount of Rs.128,907 and festival advance amount of Rs.1,000 from a management assistant who had interdicted in the year 2013.	The loan amount should be recovered promptly.	I inform you that it will be corrected.
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3.4 Asset Management

3.4.1 Assets Which Could Not Documented

Audit observation	Recommendation	Accounting Officer's Commentary
Action had not been taken to documented the assets of the Pradeshiya Sabha including land, buildings, vehicles and machinery, office equipment and furniture	All the assets should be documented.	I inform you that it will be corrected.

3.4.2 Not Performing the Repairs and Maintenance

Audit Observation	Recommendation	Accounting Officer's Commentary
Although a repair of Rs.1,000,000 nearly should be done for a cab owned to the Sabha which had faced an accident actions had not been taken to identify the responsible parties for the loss by doing the investigation as per the FR104(3).	Action should be taken according to the FR for identify the responsible parties and recovered the loss.	I inform you that the responsible parties had been identified and future actions will be taken.

3.4.3 Not obtaining the revenue which should be received form the assets

Audit Observation	Recommendation	Accounting Officer's Commentary
Actions had not been taking to giving the 07 stalls at the trade centre of fish and meats in the land of fair and 06 stalls with fixed market to the appropriate persons for trading.	Revenue should be charged by giving to the appropriate persons.	I inform you that the action will be taken to giving them.

3.4.3 Assets Could Not take over

Audit observation	Recommendation	Accounting Officer's Commentary
Actions had not been taken to taking over the 05 vehicles which had utilized by the Sabha.	Actions should be taken to taken over.	I inform you that the other all vehicles had been transferred excepting the cab which beard the no.WPPF-7381.

3.4.4 Idle and Underutilized Assets

Audit Observation	Recommendation	Accounting Officer's Commentary
While the 05 vehicles had remained at inactive level and the actions had not been taken to use by repairing.	Actions should be taken to repair and use.	I inform you that actions will be taken to get for use in next year.

3.5 Non Economical Transactions

Audit Observation	Recommendation	Accounting Officer's Commentary
It had been paid an amount of Rs.10,800 as penalties since the annual revenue licence could not be obtaining at the appropriate time.	It should be surcharged the penalties from the responsible officers according to the Pradeshiya Sabha Act.	I inform you that the action will be taken to recovered the penalties by deciding the responsible persons.

3.6 Visual Disorders

Audit Observation

Recommendation

Accounting Officer's
Commentary

Although it had been informed as the break liner had been cut by iron cutting tool according to the report of the motor vehicle inspector regarding the cab owned to the sabha had faced for an accident on 23 November 2019, actions had not been taken to take appropriate actions by identifying the related responsible parties.

Legal actions must be taken after identifying the responsible parties.

I inform you that an investigation had been started already by the assistant Commissioner of the Local Government.

3.7 Procurement

3.7.1 Procurement Plan

Audit Observation

Recommendation

Accounting Officer's
Commentary

Purchased of Rs.922, 004 had been made within the year under review without preparing an annual procurement plan according to the section 4.2.1 of code of procurement guild lines 2006.

Actions should be taken according to the procurement guideline.

A procurement plan had been prepared. Action will be taken according to that in future.

4. Accountability and Good Governance

4.1 Internal Audit

Audit observation

Recommendation

Accounting Officer's
Commentary

The internal audit unit of the entity had not been remained at the active level

The Internal Audit Unit should be functioning properly.

I inform you that the internal audit reports will be submitted in future.

4.2 Audit and Management Committees

Audit observation

Recommendation

Accounting Officer's
Commentary

Although it should be held 04 Annual audit and management committees, but only 01 committees had been held for the year 2019. Audit and Management Committees should be constituted as prescribed.

Audit and Management Committees should be constituted as prescribed.

I inform you that the action will be taken to hold the committees accurately regarding the year 2020.