

Palindanuwara Pradeshiya Sabha  
Kaluthara District

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1. Financial statements

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1.1 Presentation of Financial Statements

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The Financial Statements for the year 2019 had been presented for audit on 28 February 2020 and the report of the Auditor General on 31 July 2020 and the Detailed Management reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

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In my opinion, except for the effect of matters described in the, basis for qualified opinion under Section of my report the financial statements give a true and fair view of the financial position of the Palindanuwara 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

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(a) Accounting Deficiencies

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Audit observations	Recommendations	Comments of the Accounting Officer
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(i) The shopping complex had been built for Rs.16,574,529 in Baduraliya was not capitalized.	Should be capitalized.	Action will be taken to capitalize in preparation of final accounts of 2020.
(ii) An amount of Rs.428,025 was understated during the capitalization of Machine and Machinery relevant to the year under review.	Should be accounted correctly.	Action will be taken to account correctly.
(iii) The total of an air conditioner and Computer accessory amounting to Rs.243,500 was understated.	Should be accounted correctly.	Action will be taken to rectify in preparation of the final accounts of 2020.
(iv) The book value of Rs.917,395 was accounted instead of account the physical value of Stock.	Physical stock value should be accounted.	Action will be taken to rectify by the final

(v)	Interest income of Fixed deposits amounting to Rs.252,450 relevant to the year under review was not accounted.	Should be accounted correctly.	accounts of 2020. Action will be taken to rectify in the final accounts of 2020.
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(b) Receivable and Payable accounts  
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Audit observations

Recommendations

Comments of the Accounting Officer

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Action had not been taken to settle Work Creditor balance amounting to Rs.649,574 relevant to the year 2016 and 2017 by the council.

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Action should be taken to settle the balances.

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Action will be taken to pay in 2020.

(c) Lack of documentary evidence for Audit  
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Audit observations

Recommendations

Comments of the Accounting Officer

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A total of Rs.138,071,892 of 05 items of accounting could not be satisfactorily vouched in audit due to the lack of Fixed asset registers, Ownership registers, Deeds and assign orders, Stock verification reports and Updated inventory registers.

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Information confirming the balances of the financial statements should be submitted.

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Action will be taken to rectify.

1.4 Non compliance  
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Non-compliance with Laws, Rules, Regulations and Management Decisions.  
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References to the Laws, Rules, Regulations and Management decisions

Non-compliance Recommendation

Comments of the Accounting Officer

(a) 1987 Pradeshiya Saba Act No 15  
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(i) Section 134 (1)

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A new identification for Assessment tax was not done.

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Action should be taken according to the Pradeshiya Sabha Act.

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A new assessment is due to be done in 2020.

- (ii) Section 160 Prohibition of Action should be Action will be property was not taken according to taken to done as the last step the Pradeshiya prohibit of collecting arrears Sabha Act. property in of assessment tax. future.
- (b) Local Government Circular No.1988/22 dated 17 May 1988. Property belonging to Assessment was not taken according to A new Assessment is assessed per 05 years. the Circular. due to be done in 2021.

## 2. Financial review

### 2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.5,516,080 as compared with the corresponding Recurrent Revenue over Recurrent Expenditure for the preceding year amounted to Rs.5,678,732.

### 2.2 Revenue Administration

#### Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and tax	177,290	2,240,964	2,207,492	212,599	263,712	2,259,271	2,342,647	177,290
Rent	357,963	6,627,410	6,689,827	295,546	249,638	5,493,701	5,385,376	357,963
Permit fees	-	291,000	291,000	-	-	292,000	292,000	-
Other income	10,810,709	8,083,094	4,817,206	16,065,364	13,927,229	7,081,746	10,198,596	10,810,709
<b>Total</b>	<b>11,345,962</b>	<b>17,242,468</b>	<b>14,005,525</b>	<b>16,573,509</b>	<b>14,440,579</b>	<b>15,126,718</b>	<b>18,218,619</b>	<b>11,345,962</b>

2.2.2 Assessment tax

Audit observations	Recommendations	Comments of the Accounting Officer
Arrears of assessment tax as at 31 December 2019 amounted to Rs.68,624 for 137 units due lesser than 01 year, Rs.33,232 for 50 units due for 01 – 03 years, Rs.3,089 for 02 units due for 03 – 05 years, Rs.53,732 for 90 units due for more than 05 years	Arrears of income should be collected.	Majority of the Tax payers due for more than 05 years could not be found.

2.2.3 Court fines and Stamp fees

(a) Court fines

Audit observations	Recommendations	Comments of the Accounting Officer
The receivable court fines income for the year under review amounted to Rs.1,600,000.	Arrears of income should be recovered in exigent.	Required action will be taken to recover.

(b) Stamp fees

Audit observations	Recommendations	Comments of the Accounting Officer
An amount of Rs.14,310,000 was to be received as stamp fees as at the end of the year under review and another Rs.7,698,080 was to be received as at 30 June 2020.	Arrears of income should be recovered in exigent.	Required action will be taken to recover.

3. Operational Review

3.1 Performance

Audit observations	Recommendations	Comments of the Accounting Officer
(a) Action plan A proper Action plan was not prepared.	An action plan should be prepared correctly.	Action will be taken to prepare correctly an action plan for 2020.
(b) Failure to perform projects in the action plan and performing External projects. Although 15 projects costing Rs.03 million were identified in the action plan to be fulfilled in the year yet action had not been taken to initiate 07 projects. 05 projects costing Rs.1,551,612 were initiated without including them in the action plan.	Action should be taken according to the action plan. Required approval should be taken for external work.	Although the projects were included as at the requirements of the area of authority, yet the funds are given according to the requests given to the council. Action will be taken to include the project done using the council funds.
(c) Preparation of Annual Maintenance Plans. Although an amount of Rs.1,500,000 for the repair of roads and bridges was budgeted, they were not maintained after preparing plans.	A correct Maintenance Plan should be prepared.	Action will be taken to prepare a Maintenance Plans from 2020.
(d) Failure to obtain expected results. Although the Katuhena twenty-acre Drinking water project initiated for the distribution of drinking water for the people and the project was finished for an amount of Rs.762,541 on September 2019, the goals of the project were not realized even as of now.	The expected goals should be reached at the end of a project.	Action will be taken to finish the work of this project in exigent.

### 3.2 Management inefficiencies

----- Audit observations -----	----- Recommendations -----	----- Comments of the Accounting Officer -----
(a) Although the Agalawatta Pradeshiya Sabha was separated into two pradeshiya sabha as Palindanuwara and Agalawatta as at 15 April 2006, yet the Assets and Liabilities to be received by the Palindanuwara Pradeshiya sabha could not be divided and separated even as at 12 June 2020.	Assets and Liabilities should be divided and separated in exigent.	Action is being taken with the mediation of Ministry of Local Government and The Department.
(b) Although a solar power system with a capacity of 300 to 325 units per month amounting to Rs.750,000 was installed in the council building for the use of alternate energy sources for the conservation of electricity under 2018 Grants of Local Development yet an adequate number was not reduced in the electricity bill even as at 12 June 2020.	Action should be taken to measure the performance after completion of projects.	The expected results were not reached since the area of authority of the council is subjected to frequent rain.

### 3.3 Human Resource Management

----- Audit observations -----	----- Recommendations -----	----- Comments of the Accounting Officer -----
(a) Vacancies of a Librarian, Revenue Inspector, and a Driver position was available.	Action should be taken to fill the vacancies.	Action will be taken to fill vacancies
(b) 12 workers were recruited without the permission of the Department of Local Government since June 2019 and an amount of Rs.1,755,635 was paid as salary from the council Fund.	The approved cadre should be recruited via the approval of the Department of Local Government.	Salary was paid to the substitute-based workers since the approved cadre was not enough.

3.4 Assets Management

3.4.1 Documentation of Assets

Audit observations

Action had not been taken to include and maintain Buildings and Vehicles in to the Fixed Asset Register.

Recommendations

Action should be taken to document and maintain all the physically available assets.

Comments of the Accounting Officer

Action will be taken to correctly maintain from 2020.

3.4.2 Identified Loss

Audit observations

There was a lack of 21 G1 pipes amounting to Rs.23,250 and 49 Pakistan pipes amounting to Rs.85,750 as at the Physical Stock verification done on 19 December 2019.

Recommendations

Action should be taken to recover Loss as according to the Financial Regulations.

Comments of the Accounting Officer

Action will be taken according to F.R. 104.

3.5 Procurement

Procurement plan

Audit observations

A detailed procurement plan was not made.

Recommendations

Action should be taken according to the National Procurement Guidelines.

Comments of the Accounting Officer

Action will be taken to prepare a detailed procurement plan from 2020.

4. Accountability and Good governance

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Failure to initiate direction of the Provincial Public Accounting Committee.  
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Audit observations	Recommendations	Comments of the Accounting Officer
----- The Direction given for 1.2(d), 1.3.3(i), 1.3.3(vi), 1.5 and 1.6 (ii) of 2011 Audit report, 2.1.1(c), 2.2(b)(i), 2.2.4(b)(ii) of 2012 Audit report and 1.2.2(b), 1.3.2 of 2013 Audit report by the Provincial Public Accounting Committee held on 04 and 11 of January 2018 were not initiated even up to 12 June 2020.	----- Steps should be taken to rectify.	----- Action will be taken to finish the investigative action as of the year 2020.