

Panadura Pradeshiya Sabha

Kaluthara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 11 April 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 26 July 2020 and 23 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Panadura 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 Basics for the Qualified Opinion

a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
i. Capital Aids and Service Charges had been understated by Rs.12,144,102 and Rs.206,217 respectively and Industrial Tax income by Rs.75,040 and the Other Income from Common Administration Program by Rs.5,123,642 had been overstated.	The Accounts should be prepared accurately.	Actions would be taken to correct.
ii. Recurrent Expenditure of the Common Administration and health Service Programs had been understated by Rs.13,364,355.	The Accounts should be prepared accurately.	Actions would be taken to correct after rechecked.
iii. Machinery and Equipment, Cars and Carts, Furniture and Fittings had been understated by Rs.3,474,727, Rs.7,500,831, Rs.2,337,635 respectively at the end of the year under review.	The Accounts should be prepared accurately.	Actions would be taken to correct.
iv. The Bank Balance in the National Savings Bank Account had been understated by Rs.11,879,200 at	The Accounts should be prepared accurately.	Actions would be taken to correct.

the end of the year under review.

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| v. The employee's security deposits and employee's investments had been understated by Rs.27,215 and Rs.35,412 respectively. | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| vi. The Internal Transfers balance showed in the Financial Statements had been Rs.2,000,000 even though, according to the Ledger Account the balance had been Rs.115,206. Therefore the it had been overstated by Rs.1,884,794. | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| vii. The balances of revenue received in advance by Rs.1,670,655 and accumulated fund by Rs.25,591,869 had been overstated. | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| viii. The industrial debtors balance of Rs.15,319,625 for the year under review had not been accounted. | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| ix. The Contribution by Aids Account had been credited and not debited the Cars and Carts Account when capitalizing the Compactor Machine Loan installments amount of Rs.4,494,000 deducted from the Stamp Duty, therefore, the Cars and Carts account had been understated by Rs.4,494,000 | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| x. The Industrial Creditors had been understated by Rs.49,652,658 for the year under review. | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| xi. The Shortages and Excess Account had been credited and the receivable other income account had been debited by Rs.13,010,221 as the correction of the balance in the receivable other income account. | The Accounts should be prepared accurately. | Actions would be taken to correct. |
| xii. The Provisions for Creditors had not been allocated for the amount of Rs.1,665,403 payable to the Department of Pensions at the end of the year under review. | The Accounts should be prepared accurately. | Actions would be taken to correct. |

xiii. The Book Value of the Stock of Rs.9,286,388 had been accounted as the Closing Stock at the end of the year other than accounting the physical stock.	The Accounts should be prepared accurately.	Actions would be taken to correct.
xiv. The Fixed Deposits investments value had been overstated by Rs.755,388.	The Accounts should be prepared accurately.	Actions would be taken to correct.

b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
i. The difference of Rs.7,977,197 had been occurred between the 05 account balances of Rs.144,774,172 regarding stated in the Financial Statements and their Subsidiary Registers.	The differences in the relevant accounts should be reconciled and corrected.	Actions would be taken to correct in the future.
ii. A difference of Rs.8,238,524 had been appeared because the balance of Capital Contribution by the Revenue Account showed a balance of Rs.226,971,459 in the Ledger and a balance of Rs.235,209,984 in the Financial Statements.	The Accounts should be prepared accurately.	Actions would be taken to correct.
iii. A difference of Rs.672,831 had been showed among the Fixed Assets Accounts and the Capital Contribution by the Aids account.	The Accounts should be prepared accurately.	Actions would be taken to correct.
iv. The Value Added Tax Account had no any balance according to the Ledger but Financial Statements showed a balance of Rs.3,070,174.	The Accounts should be prepared accurately.	Actions would be taken to correct.

c) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Accumulated value of Rs.154,839,847 on ten items of accounts could not be satisfactorily vouched during the audit due to non rendition of updated Fixed Assets Registers, Advance Registers, Creditors Registers, Deposits Registers and detailed Subsidiary Documents.	The evidence to prove the balances of the Financial Statements should be provided.	The relevant registers had been updated now.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Pardeshiya Sabha Act No.15 of 1987</u>				
i. Section 134(1)		Recognition had not been carried out to recover the Rates.	Actions should be taken according to the Act.	Inform that the Forms with Details about Rates are being distributed within the authority of the Sabha for the new recognitions.
ii. Section 149		The 01 percent charge out of the revenue had not been charged from the Hotels registered in the Sri Lanka Tourist Board.	Actions should be taken according to the Act.	Inform that the prevailing status of the correct list for the year 2019 had been forwarded.
iii. Section 160	28,738,188	Forbidding the Property had not been carried out as the last step of recovering the rates.	Actions should be taken according to the Act.	Inform that a part of the rates in arrears had been recovered by the Officer in charge of Forbidding Property.
(b) <u>Pardeshiya Sabha (Financial and administrative) Rules 1988</u> Rule No.218		An inspection had not been carried out at least once a year on the lands and Buildings owned by the Sabha.	Actions should be taken according to the Pradeshiya Sabha Rules.	Inform that the survey had been started on the Lands owned by the Sabha.
(c) <u>Financial Regulations of the Democratic Socialist Republic</u>				

of Sri Lanka

F.R. 571(1) and (2)	13,900,133	Actions had not been taken against the Deposits expired.	Action should be taken according to the Financial Regulations.	Inform that action would be taken to credit the Deposits expired to the Government Income.
(c) Section 3.1 of the Public Administration Circular No.2016/03 dated 29 December 2016	-	The Fuel Consumption had not been inspected on 48 Vehicles owned by the Sabha.	Actions should be taken according to the Circular.	Inform that it had been inspected The Fuel Consumption on few Vehicles.

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.51,036,602 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.58,834,435.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	37,819,124	35,127,666	32,007,426	29,666,989	25,631,310	31,760,665	18,422,124	26,544,049
(ii) Rent	8,138,260	2,555,800	2,251,059	304,741	2,151,08	3,056,252	2,785,165	3,587,342
(iii) Licence Fees	1,025,400	693,000	744,500	(51,500)	350,000	625,200	573,700	51,500
(iv) Other Revenue	77,869,500	77,000,000	14,691,164	62,308,835	70,425,500	63,500,000	79,174,655	60,468,348
Total	124,852,284	115,376,466	49,694,149	92,280,565	98,557,918	102,931,577	104,886,619	90,651,239

2.2.2 Performance in Revenue Collection

Audit Observations	Recommendations	Comments of the Accounting Officer
Stall Rent receivable according to the Report of Income Receivable of Rs.3,323,087 as at 01 January 2019 had not been recovered within the year.	Actions should be taken to recover the Stall rent in arrears.	Decision had been taken to write off the rent in arrears for the Police Building not in use in the Keselwatta Office of Rs.2,434,612 and legal actions had been taken to recover the amount in arrears from the Old Market Place.

2.2.3 Court Fines and Stamp Duty

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though Court Fines and Stamp Duty had not been received for the year 2018 and 2019, because of the inaccurate method of making accounts, the Financial Statements did not show any receivable amount of Court Fines and Stamp Duty as at 31.12.2019.	The income in arrears should be recovered as soon as possible.	Inform that actions would be taken to prevent these kinds of balances in the future.

3. Operating Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) <u>By-Laws</u> By-laws had been imposed only 6 matters out of 16 main matters under Section 126 of the Pradeshiya Sabha Act No.126 as at 31 December 2019.	By-laws should be imposed on the matters that had not been imposed the by-laws.	The by-laws imposed by the Provincial Council of Western Province in the year 2015 had been embraced by the Gazette Notice in the year 2016.
(b) <u>Action Plan</u> 17 Projects incurred in the Action Plan for the year 2019 of Rs.218.3 millions had been failed to implement.	The Projects should be implemented.	Inform that the Projects could not be implemented because of the disaster situations.

(c) **Targets on Sustainable Development**

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| <p>i. A Post review had not been carried out to measure the progress even though 05 activities had been done to achieve the Targets of Sustainable Development and indices had been introduced to review the progress.</p> | <p>Actions should be taken according to the Circular.</p> | <p>Inform that a follow up is being carried out.</p> |
| <p>ii. 127 Equipment sets valued of Rs.317,500 had been kept in the stores till June 2020 out of the Equipments purchased of Rs.1,375,000 to distribute among the 550 pregnant mothers.</p> | <p>The Programs to achieve the Targets of Sustainable Development should be carried out as to achieve the target.</p> | <p>Inform that actions would be taken to distribute the rest of the Equipments.</p> |

3.2 Human Resources Management

Audit Observations

Recommendations

Comments of the Accounting Officer

(a) Employee Vacancies and Excess

There had been 15 vacancies on 10 Posts and 03 persons in Substitute Basis, 03 persons in Casual, 17 in Project Basis had been appointed.

Actions should be taken to fill the vacancies.

Inform that there are 15 vacancies in 10 posts.

(b) Employee Loans

Actions had not been taken to recover the loan balance of Rs.735,936 that should be recovered from 13 officers deceased, transferred and retired.

The loan balance in arrears should be recovered.

Inform that the actions would be taken to recover the loan balances.

4. Accountability and Good Governance

4.1 Audit Observations not resolved

Audit Observation

Recommendation

Comments of the Accounting Officer

The observations regarding Sections 1.2(a)(ii),(iii), (iv), (v), (vi), (vii), (ix), (xii), (xvi) and (xvii) of my report on the Financial Statements for the year 2018 had not been corrected.

The deficiencies of the last reports should be corrected.

The corrections would be made in the year 2020.