

Ganga Ihala Korale Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the audit on 27th of March 2019, while the summery report of Auditor General on the financial statements and detailed management report had been forwarded to the Chairman of the council on 31st May 2019 and 30th June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for the qualified opinion section of this report, Financial statement give a true and fair view of the financial position of the Ganga Ihala Korale Pradeshiya Sabha as at 31st December 2018 and its financial performance for the year then ended, in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The 2 land worth of to Rs.325,000 had not been capitalised.	Assets of sabha should be assessed and accounted.	The corrections will be done next year onward
(b) 47 machine and machineries items worth of Rs.429,440 had been accounted under furniture and fittings.	Actions should be taken to account for the fixed assets by on nature.	The corrections will be done next year onward.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Audit Observation	Recommendation	Comments of the Accounting Officer
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The aggregate of accounts receivable over a period of 5 years was Rs.768,611	Action should be taken to recover the receivable balances.	Actions will be taken to recover arrears income.

(b) Accounts Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
The aggregate of accounts payable over a period of 5 years was Rs.132,142.	Actions should be taken to settle the payable balances.	Actions will be taken to correct, in future.

1.3.3 Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
The aggregate of Rs.82,747,268 in relating to 07 items of land and buildings could not be satisfactorily vouched in audit, due to the non - presentation of deeds and transfer order to prove the ownership.	The evidences which verify the Account balances should be presented.	Actions will be taken to obtain deeds and transfer orders in relating to Land and buildings.

1.4 Non-Compliance

Non-Compliance with Laws Rules, Regulations and Management Decisions

Non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987. Section 152	The business taxes had not been charged for the years of 2016, 2017 and 2018 from 08 telephone towers in council area.	Taxes should be charged as per the Pradeshiya Sabha Act.	Actions will be taken to collect the business tax.
(b) Special act relating to Local Government Authorities No:48 of 1971 and Public finance Circular No:434 of dated 31 st December 2008	Although, an assessment on rates should be carried on once in 5 years, an assessment had not been carried after the year of 2007.	A new rates assessment should be carried out once in 05 years according to the circular.	Action will be taken to revise the rates in 2019.
(c) Section IV(b), of Gazette notification No.42/2017 dated on 05 th May 2017	The charges for the year 2018, from 17 advertising boards in	In relating to advertising bill boards, the charges	Action will be taken to collect arrears balances

of the Democratic Socialist Republic of Sri Lanka the council area had not been collected should be collected, as per the by-laws. after having a field inspection.

2. Financial Review

2.1 Financial Result

According to the financial statement presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31st December 2018 amounted to Rs.15,466,363 ,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.10,821,559.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Collected Revenue and Revenue in arrears

The details of Estimated Revenue, Revenue Billed, Collected Revenue and arrears Revenue for reviewed year and preceding year are as follows.

Source of Revenue	Estimated Revenue	2018			Estimated Revenue	2017		
		Revenue Billed	Collected Revenue	Total Arrears as at 31 December		Revenue Billed	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	2,136,000	2,330,256	2,431,826	1,199,914	1,936,000	2,046,294	2,041,893	1,422,056
(ii) Rent	5,419,000	4,467,906	5,212,972	512,524	4,623,000	4,362,359	4,404,259	882,364
(iii) Licence fees	1,220,200	1,324,116	1,841,016	351,200	1,220,200	990,800	1,007,300	36,000
(iv) Other income	13,386,400	21,198,677	5,504,487	27,668,898	20,044,500	14,118,358	13,018,502	9,151,964
Total	22,161,600	29,320,955	14,990,301	29,732,536	27,823,700	21,517,811	20,471,954	11,492,384

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Rates

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| (i) A sum of Rs.140,858 of receivable rates from public properties from the years of 2013 to 2018, had not been recovered. | Action should be taken to collect the due rates from public properties. | Actions will be taken to collect the rates in arrears immediately. |
| (ii) Actions had not been taken to recover an amount of Rs.727,698 that had remained receivable for more than 5 years, relating 182 assessment units. | Actions should be taken to collect income regularly. | Actions will be taken legally, to collect rates in arrears. |
| (iii) 117 assessment units, which the rates had remained receivable, cannot be recognized at present. | It should be recognized. | It is informed that an investigation would be carried out with the |

			assistance of valuation department.
(b)	<p><u>Water Charges</u></p> <p>-----</p> <p>The arrears water charges from 63 customers of 07 water projects amounting to Rs.33,337 had been due from 2003, had not been collected.</p>	<p>Actions should be taken to recover the water charges in arrears</p>	<p>Actions will be taken in future to collect water charges in arrears immediately.</p>
(c)	<p><u>Other Income</u></p> <p>-----</p> <p>Action had not been taken to recover Rs.152,766 of rent being receivable for long period of time, from 04 lands rented out by sabha.</p>	<p>Action should be taken to recover the receivable income from the lands belongs to Sabha</p>	<p>Action will be taken legally to recover the income in arrears</p>
(d)	<p><u>Three Wheelers' Parking Charges</u></p> <p>-----</p> <p>The total of Rs.162,600 of three wheelers parking charges in arrears as at 31st December 2018 from 26 three wheelers had not been recovered.</p>	<p>The three wheelers' parking charges in arrears should be collected.</p>	<p>Actions will be taken to recover the income in arrears.</p>

2.2.3 Court Fines and Stamps Duties

Audit Observation

A balance of Rs. 542,653 of court fines and Rs.27,017,267 of stamp duties had remained in receivable.

Recommendation

Actions should be taken to collect arrears balances.

Comments of the Accounting Officer

Actions will be taken immediately to collect such arrears.

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfill by sabha as per the Section 3 of the Pradeshiya sabha Act in relating to regulation and control of all the matters relating to Public health, Public utility services and public highways, comfort, convenience and welfare of the people.

(a) Not Achieving Expected Output Level

Audit Observation

Out of the 56 development projects amounted to Rs,7,700,000 which had been planned to implement during the year 2018 by using Sabha

Recommendation

Actions should be taken to achieve objectives of the development plan.

Comments of the Accounting Officer

Actions will be taken to overcome such deficiencies in future.

funds, 18 development projects amounted to Rs.2,930,742 had not been implemented,

(b) Solid Waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) The waste collects daily over the area of 103.56 square kilometre were buried in land plot belongs to Sabhawhich situated at Ulapane andit had not been followed a proper waste management program.	A program should be implemented for solid waste management.	Provisions had been made in 2019 budget.

3.2 Management Inefficiencies

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Under 02 water projects of Sabha, water was being distributed to 92 customers without chlorinated or filtering	Actions will be taken to purify water.	Chlorine and required equipment for filtering had been purchased.
(b) Without having any agreement, the land of Sabha situated at Kuruduwatte town had been leased out to Bank of Ceylon to maintain the office premises from 2017.	Lease out of property should be done under an agreement.	Actions will be taken to enter into an agreement legally.
(c) The lease rent of 10 lands that had been leased out by the Sabha had not been revised after the year of 2007	The lease income should be revised.	Revision will be made from the year of 2019.
(d) Any action had not be taken to generate income from Athgala weekly fair which is belongs to Sabha.	Actions should be taken to generate income.	Actions will be taken to lease out the fair, in future.

3.3 Human Resource Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) There were 09 vacancies and 01 excess employee within the approved carder.	Action should be taken to fill the vacancies up to approved carder.	Actions will be taken to fill such vacancies

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| (b) | Since a Dispenser is working in relating to medicine and drugs who recruited without following formal procedure, a considerable awareness had not been paid about the safety of medicine stock by Sabha. | The safety of assets belongs to Sabha should be assured. | Actions will be taken to overcome such kind of drawbacks in future. |
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3.4 Operating Inefficiency

Audit Observation

Recommendation

Comments of the Accounting Officer

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| (a) | Although, the due rent income from 06 stalls leased out by Sabha amounted to Rs.108,821 had elapsed for 12 months to 24 months, any actions had not been taken as per the agreement. | Action should be taken as per the agreement. | The legal actions will be taken. |
| (b) | Even though lease rent should be asses once in three year as per the section 06 of the agreement entered with lessee, when renting out the stall, the lease rent of 53 stalls had not been asses after the year of 2010 | As per the agreement lease rent should be asses once in 3 year | The assessment will be implemented in the year of 2019 |

3.5 Assets Management

3.5.1 Non-Acquired Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

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|-----|--|--|----------------------------------|
| (a) | Relevant actions had not been taken to acquire 26 community halls in the council area. | Take actions to acquire assets in formal manner. | actions will be taken in future. |
| (b) | Any action had not been taken to acquire 02 motor bikes amounted to Rs.172,990 and an unrecognized Jeep. | Take actions to acquire assets in formal manner. | actions will be taken in future. |

3.5.2 Idle or Underutilized Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

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|--|------------------------------|---|
| 05 items of asset worth of Rs.452,540 and 01 item of asset of which value has not recognized had been inactive and under- utilized from 01 year to 04 years. | Properly utilize the assets. | Actions will be taken to repair and utilize them. |
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3.6 Non-Economical Transactions

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>Even though an agreement to acquire software system for the office management activities, had been entered into by supplied company on 22th of August 2014, by incurring Rs.780,000 rates management system is only on programme was in operation still by the end of year under review. And also, even various problems were identified second instalment amounting to Rs.300,000 and a sum of Rs.300,000 need to be paid after establishment and training had already been paid prior to fulfilment of such activity.</p>	<p>All the system should be established as per the agreement.</p>	<p>The officers who received the training about the software had been transferred. Then requisition had been made to the relevant organization by inquiring the re-training of the officers. Hence, action will be taken to train and update the software within next month.</p>