

Mahanuwara Kadawathsatara and Gagawata 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 28<sup>th</sup> of March 2019, while the summary report of Auditor General on the financial statements and detailed management report had been forwarded to the Chairman on 31<sup>st</sup> May 2019 and 30<sup>th</sup> June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the 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 Mahanuwara Kadawathsatara and Gagawata Korale Pradeshiya Sabha as at 31<sup>st</sup> 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
(a) Rs.928,469 of rates and acreage taxes received for Next year had not been recognised as income Received in advance.	Accounts Should be corrected.	Correction will be done in the year 2019.
(b) The stamp duty income had been overstated by Rs.40,045,558 in the year under review.	Accounts Should be corrected.	Stamp duty value in source document had been accounted.
(c) A sum of Rs.1,099,589 of interest had not been debited to fixed deposit account.	Accounts Should be corrected.	Correction will be done, from next year.
(d) Value of drugs purchased for Rs.418,845 had not been recognized as an expense.	Accounts Should be corrected.	Action was taken to correct accounts.
(e) Rs.4,516,228 valued income had been recorded as a liability in balance sheet.	Accounts Should be corrected.	It is informed that it will be take into income in the year of 2020.

## 1.3.2 Non-Reconciled Accounts

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Audit Observation-----  
A difference of Rs.496,228 was observed between the balances of 02 subjects in the financial statements, and the balance of source documents.

## Recommendation

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The accounts should be corrected by reconciling the differences of relevant balances.Comments of the  
Accounting Officer-----  
Action will be done to correct.

## 1.3.3 Accounts Receivable and Payable

## (a) Accounts Receivable

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Audit Observation-----  
The aggregate of accounts receivable that had been elapsed the period of 05 years amounting to Rs.844,950 That had elapsed the period of 01 to 05 years was Rs.103,631,348.

## Recommendation

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Receivable balance should be Recovered.Comments of the  
Accounting Officer-----  
Action will be taken to recover income in arrears.

## (b) Accounts Payable

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The aggregate of accounts payable that had been elapsed the period of 05 years amounting to Rs.803,538 and that had elapsed the period of 01 to 05 years was Rs.5,876,543.

Payable balance should be settled.

Action will be taken to pay for the payable parties by using allocated money.

## 1.3.4 Lack of Necessary Documentary Evidence for Audit

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Audit Observation-----  
The Total amount of Rs.18,669,972 in relating to 08 accounting subjects could not be satisfactorily verified in audit, due to the non-presentation of information such as, document, Source documents, age analysis, files and receipt.

## Recommendation

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The evidences which verify the account balances in the financial statements should be presented.Comments of the  
Accounting Officer-----  
Action will be taken to present source documents, age analysis and files for audit.

## 1.4 Non-Compliance

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Non-Compliance with Laws Rules, Regulations and Management Decisions  
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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) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka ----- F.R.104(4)	A full report had not presented relating to the loss occurred to backhoe in the year of 2016.	A full report should be submitted within three months	As per F.R 104, inquiry was not completed.
(b) Pradeshiya Sabha (Financial and Administration) rules of 1988 -----			
(i) Rules 154(1)	A Registry relating to taxeson sales of sub divided lands had not been maintained.	A registry should be maintained according to the given format.	Action will be taken to correct, in future.
(iii) Rules 218	A survey had not been carried out in relating to Land and buildings.	A survey in relating to lands and buildings should be carried out.	Will be carried out next year.
(c) Section 3.1 of Public administration circular No: 30/2018 dated 29 <sup>th</sup> December 2016	Fuel test had not been carried out in 05 vehicles of Sabha.	Should be complied with circulars	Fuel consumption test will be carried out.
(d) Local Government Department Circular No:1988/22 dated 17 <sup>th</sup> May 1988.	Once in every 05 year, rates valuation had not been carried out.	Should comply with circular.	Revised valuation is being carried out.

### 1.5 Transaction not Supported by Adequate Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
According to the section 182 Of Pradeshiya Sabha act No:15 of 1987, without approval of Minister with regarding a resolution, A balance of government fund worth Rs.12,575,034 of had been withdrawn from the accounts in the year of 2014 and 2015.	Should be compliance with Pradeshiya Sabha Act.	According to the letter of the Commissioner of Local Government, had been written off without approval.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31<sup>st</sup> December 2018 amounted to Rs.70,052,175 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.25,346,908.

### 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 Revenue in arrears for reviewed year and preceding year are as follows.

Revenue Source	2018				2017			
	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 <sup>st</sup> December	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 <sup>st</sup> December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	8,930,483	9,675,212	9,754,153	7,275,839	8,726,970	8,562,664	8,729,462	7,518,534
(ii) Rent	984,000	694,520	695,015	--	815,000	564,000	564,000	495
(iii) Licence fee	4,947,940	5,017,445	5,017,444	--	3,906,000	1,123,099	1,123,099	--
(iv) Other income	38,276,800	77,331,607	11,124,311	126,910,254	37,518,000	23,187,062	31,786,671	84,656,882
Total	53,139,223	92,718,784	26,590,923	134,186,093	50,965,910	33,436,825	42,203,232	92,175,911

#### 2.2.2 Rate and Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rate		
(i) Out of the Outstanding Rate at the beginning of the year under review amounting to Rs.7,441,754, or 68 percent had not been recovered during the year.	Action should be taken to recover rates in arrears.	being collected by this

(ii)	Action had not been taken to recover the Outstanding rates balance of Rs.595,941 receivable from Government institution.	Receivable rates balances should be recovered.	It was informed to pay the rates in arrears immediately.
(iii)	Action had not been taken by Sabha to collect rates by identifying developed areas, after the year of 2008.	Rates should be collected by identifying developed areas.	Expansion of Assessment areas are being carried out.
(b)	<p>Garbage Tax</p> <p>-----</p> <p>Action had not been taken to recover Rs.59,950 of Garbage tax in arrears.</p>	Action should be taken to recover arrears.	It had been refer to the governor in order to get the approval for the write off,
2.2.3	<p>Court Fine and Stamp Duties</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>Receivable court fines and stamp duties as at 31<sup>st</sup> December 2018, was Rs.1,339,383 and Rs.76,708,000 respectively.</p>	<p>Recommendation</p> <p>-----</p> <p>Court fines and Stamp duties in arrears should be recovered.</p>	<p>Comments of the Accounting Officer</p> <p>-----</p> <p>Requisition had been made.</p>
3.	Operating Review		
3.1	Performance		
	<p>Following matters were revealed with regard to duties to be fulfilled by Sabha as per the section 3 of 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.</p>		
(a)	<p>By-laws</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>According to the, Section 126 of Pradeshiya Sabha act, By-laws had not been imposed in relating to 08 matters.</p>	<p>Recommendation</p> <p>-----</p> <p>Action should be taken to impose By-laws, for the matters, for which the By-laws need to be imposed.</p>	<p>Comments of the Accounting Officer</p> <p>-----</p> <p>Action will be taken to impose these By-laws in future as per the necessity.</p>

## (b) Action Plan

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Audit Observation

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Without identifying specific tasks to be carried out for the year under review, Capital expenditure amounting to Rs.31,000,219 had been included to the action plan.

## Recommendation

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Tasks to be fulfilled should be identified specifically.

Comments of the  
Accounting Officer

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Correct action plan will be prepared, next year.

## (c) Solid Waste Management

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Audit Observation

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Without following proper procedure for the disposal of waste, waste was being disposed to garbage yard belongs to Kundasale Pradeshiya Sabha, paying Rs.500 per 01 ton. A sum of Rs.299,505 had been paid for this by the end of the year under review.

## Recommendation

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Proper procedure should be followed.

Comments of the  
Accounting Officer

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Because there is no suitable land, it had been done so and preliminary work had been done to obtain a land.

## (d) Sustainable Development Goals

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Audit Observation

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As per the circular No.NP/SP/SDG/17 dated 14<sup>th</sup> August 2017 of Ministry of National policies and economic affairs, a plan had not been prepared in order to achieve sustainable development goals and targets.

## Recommendation

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As per the circular, relevant plan should be prepared to achieve sustainable development goals and targets.

Comments of the  
Accounting Officer

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A Sustainable development plan had been prepared for the year 2019.

## 3.2 Management Inefficiencies

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Audit Observation

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Action had not been taken to collect receivable stamp duties amounting Rs.68,776,756 from the year of 2003 to 2016.

## Recommendation

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Action should be taken to recover stamp duties receivable to Sabha.

Comments of the  
Accounting officer

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Since it was unable to obtain source document, couldn't be recovered.

### 3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting officer
(a) There was 06 vacancies within approved carder, as at 31 <sup>st</sup> December 2018.	Action should be taken to fill the vacancies	Action will be taken to fill the vacancies.
(b) Rs.18,778 of employee guarantee of 03 retired officers had not been released.	Action should be taken to release the guaranteed money occasionally.	It had been informed that guarantee of one officer is released and guarantee of other two officers will be released once after disciplinary investigation is finished.

### 3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Three wheelers parking charges had been collected by Sabha, based on the survey carried out in the year of 2017.	A survey on three wheelers should be carried out annually.	It is informed that survey is being carried out for the year 2019

### 3.5 Asset Management

#### 3.5.1 Non Acquired Asset

Audit Observation	Recommendation	Comments of the Accounting Officer
Sabha had Rs.28,764,697 worth of 25 lands and buildings which were unsettled.	Land and buildings should be clear.	Action is being carried out to ensure the safety of property owned by Sabha.

#### 3.5.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting officer
(a) A steam machine received by donation since 2014 and Equipment including Cubota water pump for more than 10 years of period remained at the store without using for any.	Action should be taken not to be assets of Sabha inactive or underutilized.	Action will be taken to auction after obtaining assessments reports.
(b) 147 items of water equipment of which value cannot be recognized had	Action should not be taken to allow idle or	It is informed that the auction after obtaining the

	allowed to be destroying without any use since 2010.	destroyed.	assessment report.
3.5.3	Vehicle Utilization ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a)	A tractor had withdrawn from the operation since 2015.	Action should be taken to repair and use.	It is informed that after obtaining the approval of the Governor, action will be taken to repair and use.
(b)	A tractor's tailor couldn't be used due to failure to repair.	Action should be taken to use by repairing.	It is informed that after obtaining the approval of the Governor, action will be taken to repair and use.
3.6	Non Economical Transaction ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
	An amount of Rs.277,000 had not been recovered, which was deposited in other institutions for various activities by Sabha.	Deposited money should be got back.	Refunds of deposits are being delayed due to inability to find old documents and receipts.
3.7	Identified Losses ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
	Rs.140,613 of expenses had been over paid because of negligence of Sabha, on the case filed against non-payment of payable balance of Rs.204,000, in relating to a work implemented by Sabha	Action should be taken to recover the over payments.	It is informed that the actions are being taken to carry out F.R.104 investigation in order to identify the responsible parties.
3.8	Procurement ----- Contract Administration Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
	A log book had not been properly maintained to include the details relating to monitoring and other activities of development project worth Rs.63,187,395 implemented by Sabha,	Action should be taken to maintain log book.	Log book will be maintained in future.