

Pathadumbara Pradeshiya Sabha
Kandy District

1 Financial Statements

1.1 Presentation of the Financial Statements

The financial statements of the year 2018 had been presented to the audit on the 29 March 2019 and the summary report of the Auditor General had been presented to the Chairman on 21 May 2019 and the detailed management report regarding the financial statements had been presented to the Chairman on 31 May 2019.

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 state of affairs of the Pathadumbara Pradeshiya Sabha as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

1.3.1 Accounting Deficiencies

Audit observations -----	Recommendation -----	Comment by the Accounting Officer -----
(a) While it had not been completed a project an amount of Rs.6, 813,750 had been accounted and an amount of Rs.4, 278,750 had been capitalized.	It should be accounted correctly.	Action will be taken to corrected in the final account in the year 2019.
(b) An amount which paid for developing the 05 assets and a three-wheeler worth of Rs.795,120 had not been capitalized.	It should be accounted correctly.	Action will be taken to corrected in the final account in the year 2019.
(c) It had been overstated the trade license income of Rs.50,000 and a fixed deposit interest income by Rs.84,109.	It should be accounted correctly.	Action will be taken to corrected in the final account in the year 2019.
(d) Creditors had been under stated by Rs. 21, 117, 122.	It should be accounted correctly.	Action will be taken to corrected in the final account in the year 2019.

1. 3 .2 Unreconciled Accounts

Audit observations	Recommendation	Comment by the Accounting Officer
There was a difference of Rs. 133,597,934 between the balance of 14 accounting balances and the balance sheet in the supporting documents for the sum of Rs. 24,533,546.	Accounts should be corrected by comparing the changes in the respective balances.	It will look into this difference and settle it.

1. 3. 3 Accounts Receivable and Payable

(a) Audit observations

Audit observations	Recommendation	Comment by the Accounting Officer
The debtor balance which had elapsed a time of one years was amounting to Rs. 11,640,127	Action should be taken to recover the balance due .	I will look into these balances and settle.

(b) Accounts Payable

Audit observations	Recommendation	Comment by the Accounting Officer
The total payable accounts balance which had elapsed a period of one year was amounting to Rs. 30,440,501	Action should be taken to settle the outstanding balances.	I will look into these balances and settle.

1. 3. 4 Lack of Written Evidence Required For The Audit

Audit observations	Recommendation	Accounting officer Commentary
04 accounting subject worth of Rs. 100,481,496 had not been vouched satisfactorily in audit due to non submission of the acceptable audit evidence to the audit such as fixed assets register and schedules.	Proof of account balances shown in the financial statements should be submitted.	Arrangements have been made to provide schedules for the preparation of the 2019 accounts.

1. 4 Non-compliance

Non-Compliance With Laws, Rules, Regulations And Management Decisions

Refer to rules, rules, regulations and management decisions	Non-compliance	Recommendation	Comment by the Accounting Officer
Financial Regulations of the Democratic Socialist Republic of Sri Lanka 57 1 (3)	No action was taken in respect of 122 overdue deposits worth Rs.2, 533,660 .	Actions should be taken according to the Financial Regulations.	Arrangements have been made to inquire into and settle these deposits.

2. Financial Review

2.1 Financial results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs. 9,876,032 compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 11,949,326.

2. 2 Revenue Administration

2. 2 .1 Estimated Income, Billed Income, Accumulated Income and Deficit Income

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

Source of income	2018				2017			
	Estimated income	Management Billed income	Income collected	Total deficit as of December 31st	Estimated income	Management Billed income	Income collected	Total deficit as of December 31st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Assessment and Taxes	7,083,000	7,486,367	8,149,308	4,313,761	7,418,000	6,776,768	6,876,509	3,869,944
(ii) Rent	657,000	2,127,950	2,137,240	412,211	685,000	1,400,440	1,387,160	401,351
(iii) License fee	2,200,000	2,200,000	2,420,040	(220,040)	2,200,000	2,200,000	2,480,875	(286,875)
(iv) Other Income	12,986,720	14,385,688	1,924,688	21,290,519	26,136,000	15,318,437	13,367,602	6,009,582
	22,926,720	26,200,005	14,631,276	25,796,451	36,439,000	25,695,645	24,112,146	9,994,002

2.2.2 Performance of Revenue Collection

Audit Observations

Although the revenue that recovered within the year under review was amounting to Rs. 36,194,007 the progress of revenue collection was at a percent of 40 due to the collection of the year was amounting to Rs. 14,631,276.

Recommendation

Arrears should be recovered.

Comment by the Accounting Officer

Accept.

2.2.3 Court Fines and Stamp Fees

Audit Observations

The receivable court fines were amounting to Rs. 2,067,723 and stamp fees amounting to Rs. 19,907,067.

Recommendation

Action should be taken to collect the relevant money.

Comment by the Accounting Officer

Information about the balance of the right to recover the dues from the date 2018.12.31 take.

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 Observations

Recommendation

Comment by
the Accounting Officer

Although it should to be enacted by laws regarding performing main 30 matters according to the section 126 of the Pradeshiya Sabha act. It had been imposed 12 by laws only.

The council must make by-laws that can generate revenue.

Action will be taken to adopt by-laws.

(b) Non-provision of funds

Audit Observations

Recommendation

Comment by
the Accounting Officer

27 tasks which had allocated provisions by the annual budget had not been implemented.

The budget should be prepared and executed according to the action plan.

The Annual Budget has been prepared based on the Action Plan. There will be no problems in the future.

(c) Sustainable Development Goals

Audit Observations

Recommendation

Comment by
the Accounting Officer

The Sabha did not identify the Sustainable Development Goals and the indicators for achieving and measuring progress.

Sustainable development goals should be achieved by identifying.

Action will be taken to allocate funds for the sustainable development objectives of the year 2019.

3.2 Management Inefficiencies

Audit Observations	Recommendation	Comment by the Accounting Officer
(a) An amount of Rs .846, 000 income since non preparation of shops for use on a rent and non-implementation of the valuation on 11 December 2014 on Rs .499, 500 revenue had been lost.	It should be tailor-made and generate revenue.	It has been proposed to change the structure of the mall and renovate it.
(b) Although it had been constructed construction as blocking the stream flooring near the city Madawal, any legal action had not been taken.	Action should be taken to remove unauthorized constructions in the reserve.	These constructions have been suspended immediately and a legalization program has been launched.

3.3 Human Resource Management

Audit observations	Recommendation	Comment by the Accounting Officer
There were 13 staff vacancies.	Action should be taken to fill the vacancies.	Work is underway to fill the vacancies.

3.4 Asset Management

3.4.1 Non-Protection Of Assets

Audit Observations	Recommendation	Comment by the Accounting Officer
While 5.26 perches out of 10.9 perches belonging to the Pradeshiya Sabha situated in the Madawala city had been enjoy by without authority and three stalls on the sabha land had been closed for over 10 years.	Action must be taken to protect the assets of the sabha.	Documents have been submitted to the Commissioner of Local Government to recover possession of the unauthorized land.

3.4.2 Non - Receipt Of Income From Assets

Audit Observations	Recommendation	Comment by the Accounting Officer
Action had not been taken to generate revenue from the backhoe machine worth Rs. 16,695,000.	It should be made the best use of machinery.	It is using to generate income.

3.4.3 Inactive / Underutilized Assets

Audit Observations	Recommendation	Comment by the Accounting Officer
Water equipment worth Rs.1,259,350 remained in the store for a long time without being issued.	Purchases should be made as per the requirement.	It will be informed you that the plumbing fixtures specified in the query will be decided according to the need

4. Accountability And Good Governance

Management Budgetary Control

Audit Observations	Recommendation	Comment by the Accounting Officer
No income was generated from the estimated income of Rs. 964,000 for 21 subjects and the total of Rs. 8,994,500 had not been utilized in any purpose.	The budget should be based on the most accurate data set and minimize variations.	Accept.