

Pasbage Korale Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for the audit on 29th 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 31st May 2019 and 30th June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except 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 Pasbage 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 Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The value of 02 cemeteries estimated to Rs.2, 079,000 had not been accounted.	Asset should be accounted.	Correction will be done in financial statement for the year 2019.
(b) 23 items of Officer equipment and machineries which worth Rs.573, 889 had been removed from financial statements, before the auction of goods.	Should be accounted correctly.	Correction will be done in financial statement for the year 2019.
(c) Rs.509,102 valued to stationary stock issued from stores had not been identified as expenses.	Issuing of stock should be accounted correctly.	Correction will be done in financial statement for the year 2019.
(d) Rs.178,564 valued industry retention had been recognised as industrial creditors.	The retention during the year should be recognized correctly.	Correction will be done in financial statement of the year 2019.

(e)	Capital expenses had been under stated by Rs.3,618,815.	Capital expenses should be accounted correctly	Correction will be done in financial statement of the year 2019.
(f)	Cash balance at the end of the year had been overstated by Rs.2,526,818.	Should be accounted correctly.	Correction will be done in financial statement of the year 2019.
(g)	Rs.100,805 of water charges income, for the year under review had been recognised as income twice.	Revenue should be accounted correctly.	Correction will be done in financial statement of the year 2019.
(h)	Loan instalment paid during the year amounting to Rs.1,887,365 had been accounted as capital expenses.	Loan instalment payment should be accounted correctly.	It is accepted that Loan balance had been overstated while surplus had been understated.

1.3.2 Un-Reconciled Accounts

Audit Observation

A difference of Rs.262,976 was observed between the balances of 02 subjects in the financial statements ,and the balance of source documents.

Recommendation

Correction should be done in the accounts by reconciling the differences of relevant balances.

Comments of the Accounting Officer

Action will be taken to resolve immediately

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Audit Observation

The aggregate of accounts receivable that had elapsed the period of 05 year amounting to Rs.810,845 and the aggregate of accounts receivable that had elapsed for period of 1 to 5 year was Rs20,796,710.

Recommendation

Action should be taken to recover arrears balances.

Comments of the Accounting Officer

A Program for collecting arrears income would be conducted.

(b) Accounts Payable

Audit Observation-----
Recommendation-----
Comments of the
Accounting Officer-----
The aggregate of accounts payable that had elapsed the period of 1 to 5 year was Rs.2,487,580.-----
Action should be taken to settle the payable balances.-----
Action will be taken to settle, as soon as the money will be reimbursed from various firms.

1.3.4 Lack of Necessary Documentary Evidence for Audit

Audit Observation-----
Recommendation-----
Comments of the
Accounting Officer-----
The balance of general deposit account amounting to Rs.2,001,870 could not be satisfactorily verified in audit, due to the non-presentation of source documents.-----
The evidences which verify the account balances in the financial statements should be presented.-----
Correction will be done in financial statement of the year 2019.

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 149	Hotel, restaurant and lodging house are registered under Sri Lanka tourism board, had not been identified and licence fees had not been collected.	Licence fees should be collected by identifying hotels and restaurant registered under tourism board.	Relevant action will be taken after discussing with tourism board.
(b) Pradeshiya Sabha (financial and Administration) rules of 1988			
(i) Rule 19	Although, All counter-foilbooks	All counter-foil books should be kept in	Here after, they will keep in

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| | should be kept in charge of Council secretary, they were kept with the Officer in charge store. | charge of council secretary. | charge of secretary. |
| (ii) | Rule 178(8)(2) | 15 steel cupboards had been purchased during the year under review, without technical Recommendation. | Technical recommendation should be taken. Since, the service extension of Technical Officers was ended as at 24.12.2018, It was unable to get written recommendation. |
| (iii) | Rules 178(2)(f) | In purchasing required chairs to Sabha, the bidder has not given a sufficient time period to offer bid. | Bidders should be given a sufficient time period for offer bid. Since, the local government elections were held on 10.02.2018, It had to give time for the tender offer only until 07.02.2018. |

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 31st December 2018 amounted to Rs.10,773,803 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,341,786.

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	Estimated Revenue	2018			2017			
		Revenue Billed	Collected Revenue	Total Arrears as at 31 st December	Estimated Revenue	Revenue Billed	Collected Revenue	Total Arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	1,050,000	683,936	549,384	855,634	4,681,000	4,938,166	4,786,131	3,414,812
(ii) Rent	2,303,220	2,150,220	1,780,449	576,737	4,245,000	2,276,529	2,156,125	276,042
(iii) Licence fee	480,000	782,376	695,676	519,000	855,300	854,857	749,357	435,100
(iv) Other income	25,295,000	21,630,955	12,096,304	32,920,813	18,439,000	11,423,196	10,469,435	10,992,080
Total	29,128,220	25,247,487	15,121,813	34,872,184	28,220,300	19,492,748	18,161,048	15,118,034

2.2.2 Performance in Revenue Collection

Audit Observation

Due to the arrears, out of the total income from all income sources as at 31st December 2017 was Rs.15,118,034 and arrears of that value at the end of the reviewed year was Rs.34,872,184 the increase of arrears income was 131 percent.

Recommendation

Performance on collecting arrears income should be improved.

Comments of the Accounting Officer

In order to collect arrears income, expedite programs were prepared and it is being implemented.

2.2.3 Rate and Tax

Audit Observation

(a) Rates

(i) Although, Rates need to charge based on the assessment done once in every 05 year, rates had been charged on the assessment made in the year 2009.

Recommendation

The property on which rates are collected should be assessed once in every 05 years.

Comments of the Accounting Officer

The Department of Assessment was Informed several times, and documents had been sent to the Assessor.

(ii) The recovery of a receivable rates balance from 10 property owners amounting to Rs.97,107 had lapsed for more than 02 years of period.

Steps should be taken to recover income without remain arrears for long period of time.

Action will be taken to recover this money within 02 months.

(b) Water Charges

Out of the outstanding balance of the water charges Rs.2,739,481 at the beginning of

Arrears income and billed income during

Programs are being implemented to recover

the reviewed year, Rs.1,385,712 that is , 50 percent thereof had not been recovered, while the billed income in the year amounting to Rs.4,182,966 and Rs.2,404,980 that is 43 percent thereof had not been recovered.

the year should be recovered.

arrears and actions will be taken to charge annual bills.

(c) Three Wheelers' Parking Charges

Out of the outstanding balance of Three wheelers' parking charges at the beginning of the year under review amounting to Rs.403,100, Rs.380,300 had not been recovered, while, the billed Three wheelers' parking charges in the year amounting to Rs.142,200, and Rs.122,700 had not been recovered therein.

Arrears charges and annual charges should be collected.

The governor had given the approval to write off Rs.216,200 out of the arrears and it is reported to audit after collecting the remaining.

2.2.4 Court Fine and Stamp Duties

Audit Observation

The receivable court fines and stamp duties was Rs.1,551,749 and Rs.23,664,122 respectively, as at 31st December 2018.

Recommendation

Court fines and stamp duties in arrears should be recovered.

Comments of the Accounting Officer

Rs.1,204,045 had been reimbursed out of the court fines and action will be taken to reimburse remaining balance and stamp duties.

3. Operating Review

3.1 Performance

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.

(a)	By-laws ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Eventhough there was small scale power station in the council area, action had not been taken to collect income by preparing By-laws.	Action should be taken to collect income by preparing By-laws	Action will be taken to pass by laws.
(ii)	Action had not been taken to prepare by-laws relating to collection of charges from local and foreign tourists visit the Falls of Galabada.	Income should be collected by preparing by- laws.	Actions are being taken to pass By-laws.
(b)	Solid Waste Management ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
	Consideration had not been given to produce compost, by using disposal waste as raw material.	Consideration should be given to produce compost	While, collected waste is disposed by Nawalapitiya urban council to garbage producing land. It is situated in the council area.
3.2	Human Resource Management ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a)	There were 24 vacancies in 12 positions.	Action should be taken to fill vacancies.	Already, employees had been recruited for 05 positions and action will be taken to recruit for remaining vacancies.
(b)	The loan balance of Rs.207,770 was receivable from Officers who transferred of in the year of 2017, had not been recovered until the end of a year.	Action should be taken to clear the loan balance immediate after the transfer.	Although it had been informed to health ministry, reimbursement had not been placed yet.

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| (c) | Out of the Rs.100, 000 of allocation made of for the training of workforce during the year, Rs.54,520 had not been utilized and only 10 members were trained. | Every Officers and employee should be directed to require training programmes. | Complete program had been prepared for the year 2019 and is being implemented. |
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3.3 Operational Inefficiencies

Audit Observation

- | (a) | Audit Observation | Recommendation | Comments of the Accounting Officer |
|-----|---|---|--|
| | Since, Sabha had charged Rs.75 from meter free domestic customer, and 150 from commercial unit throughout a 18 years of period, action had not been taken to collect correct water income by Sabha. | Water charges should be revised timely and collected. | The charges for Non-purified water which was Rs.75 had been changed up to Rs.150 effective from March 2019. |
| (b) | The Private parties who obtained the licenses for breaking stones in Green Wood granite project belonging to Sabha, was seem to illegully involve in quarries in the rock section of land belonging to Sabha. | Relevant measures should be taken to investigate illegal quarrying. | Since a property belonging to the Land Reforms Commission, relevant organization had been informed with this regard. |
| (c) | It seems that only tickets were being sold, without taking action for the protection of tourists visiting the tourist place of Galabada falls and also safety of Environment. | Sales of tickets, provision of safety should be done correctly. | A program for the safety of Tourists and environment had already been prepared. |

3.4 Asset Management

3.4.1 Idle and Underutilized Assets

Audit Observation

- | (a) | Audit Observation | Recommendation | Comments of the Accounting Officer |
|-----|---|--|--|
| | 530 no of water meters purchased for the value of Rs.2,372,230 had remained idle in the local storage of Pradeshiya Sabha without fixing them over 1357 meter free water consumers. | Action should be taken to fix the water meters in idle, for the meter free water connection. | Action will be taken to install the water meter for such water consumers within 06 months of period. |
| (b) | Rs.200,000 worth of concrete mixing machine which donated by Disaster | Machine should be used. | It had asked to be handed over to the |

Management Ministry in 2012 had remained idle for several years.	Ministry Since; the machine is not compatible with the area.	
(c) It was observed that, Rs.7,000,000 value 04 water projects, which were recognized as fixed assets, had been inactive during the year.	Water projects should be implemented. A decision is to be taken by presenting to the council.	
3.4.2 Vehicle Utilization		
----- Vehicle Control -----		
Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Milo meter of 02 vehicle belongs to Sabha, had been inactive. But any action had not been taken to restore.	Action should be taken to repair the milo metre.	A suitable program will be implemented to fit Milo meters, In future
3.5 Non Economical Transaction		
----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although a sum of Rs.1,650,000 had been paid to Land Reform Council, for last year in relating to use of land for the Green Wood granite project, but action had not been taken to earn revenue by project.	Action should be taken to obtain maximum benefits, by managing project properly.	The land had not been handed over the land by Land Reform Council
3.6 Procurement		
----- Procurement Plan -----		
Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A procurement plan had not been prepared for the year under review.	A procurement plan should be prepared.	Action will be taken to prepare procurement plan for the year 2019.

4. Accountability and Good Governance

Budgetary Control

Audit Observation

Recommendation

Comments of the
Accounting Officer

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| (a) | During the year, Rs.885,000 had been allocated for the the development of public welfare and mental condition under 17 expenses head, Out of that, Rs.856,589 had not been utilized. | Funds allocated under budget should be utilized in maximum efficiency. | It will be make sure not to take suchshortcomings in future. |
| (b) | Although Sabha allocated Rs.310,000 for health programs under 05 expense head, a sum of Rs.268,638had not been utilized therein. | Allocated funds should be utilized for relevant programs. | Since there was not a permanent public health inspector, expected function couldn't be accomplished. |