

Pathahewahata Pradeshiya Sabha  
Kandy District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The financial statements for the year 2018 had been presented to the audit on 29<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

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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 Pathahewahata 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

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1.3.1 Accounting Deficiencies

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) 06 items of Non-current assets purchased during the year worth of Rs.958,970 and office equipment worth of Rs.177,131 had not been capitalized.	Should be accounted correctly.	Correction will be made in final accounts in the year 2019.
(b) The value of speaker system purchased during the year had been understated by Rs.1,331,685.	Should be accounted correctly.	Correction will be made in final accounts in the year 2019.
(c) Rs.1,200,000 valued 02 lands plots received under donation and purchased, The value of land donated under deed No:234, construction value of Rs.5,957,538 of Lulkandura tourist facilities center, a sum of Rs.902,439 incurred for the repairing of Deltota sub-regional office had not been capitalized.	Should be accounted correctly.	Correction will be made in final accounts in the ye 2019.
(d) The value of 985 Arpico pipe (02") amounting to Rs.1,689,275 had not been recognized as water accessory stock in the financial statement.	Should be accounted correctly.	Correction will be made in final accounts in the year 2019.

## 1.3.2 Un-Reconciled Accounts

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Audit Observation

## Recommendation

Comments of the  
Accounting Officer-----  
A difference of Rs.90,603 was observed between the balances of 02 subjects in the financial statements, and the balance of source documents.-----  
Correction should be done in the accounts by reconciling the differences of relevant balances-----  
Actions are being taken to correct.

## 1.3.3 Accounts Receivable and Payable

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Audit Observation

## Recommendation

Comments of the  
Accounting officer-----  
Rs.10,516,240 that had elapsed the period of 05 years and Rs.48,129,236 that had elapsed the period of 01 to 05 years had been receivable as at 31<sup>st</sup> December 2018.-----  
Action should be taken to recover the received amount.-----  
Action will be taken to recover the arrears.

## 1.3.4 Lack of Necessary Documentary Evidence for Audit

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Audit Observation

## Recommendation

Comments of the  
Accounting Officer-----  
The transactions of which total value was Rs.17,614,207 could not be satisfactorily vouched in audit, due to the non - presentation of information such as deeds, transfer orders, and assessment report.-----  
The evidences which verify the account balances in the financial statements should be presented.-----  
A board of survey had been appointed to assess fixed assets and it is in operation currently, while actions are being taken to remove the advance from account.

## 1.4 Non-Compliance

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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)	Pradeshya Sabha Act No.15 of 1987			
(i)	Section 24	A registry on roads and path maintained	A registry should be maintained as per the	Once registry is prepared, it is

	by Sabha, had not been maintained.	Act.	maintained.	
(ii)	Section 126(xxx)	Action had not been taken to collect charges from 51 advertising board had been exhibit, without having proper authority,	Collection of charges should be done by recognizing the advertising boards, according to the Act.	Actions are being taken to recover the charges.
(iii)	Section 154(1)	Action had not been taken to recover receivable taxes on sales of lands.	As per the act, action should be taken to collect the 01% of tax need to be charged on sales of lands.	Answers will be provided in future.
(iv)	Section 158	Action had not been taken in relating to Acreage taxes in arrears.	Revenue should be collected on time without been lapse for long time.	Properties should be recognized by carrying out a survey.
(b)	Pradeshiya Sabha (Financial and Administration) rules of 1988, Rule 218	A survey had not been carried out on lands and buildings.	Lands and buildings should be recognized by carrying out a survey.	Initial actions are being taken.
(c)	Special Provisions Act of Local government authorities No:48 of 1971 and the Public Finance Circular No: 434 dated December 31 <sup>st</sup> 2008,	Action had not been taken to carry out a rates assessment once in every 05 years.	The property which is taxable under rates should be assessed once in every 05 years.	Actions are being taken to perform new assessment.

## 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.32,598,203,as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.25,037,388.

## 2.2 Revenue Administration

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

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

Source of Revenue	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	2,457,319	2,257,124	2,248,475	6,484,677	11,354,482	10,061,875	8,466,490	22,728,124
(ii) Rent	4,102,089	3,441,900	3,733,878	702,776	3,729,356	3,921,109	4,315,015	886,610
(iii) Licence fee	4,131,325	2,907,999	2,577,599	2,369,700	5,333,250	2,404,587	2,404,587	--
(iv) Other income	36,927,188	41,463,018	13,904,751	84,234,185	29,099,540	28,007,204	13,758,995	50,296,617
<b>Total</b>	<b>47,617,921</b>	<b>50,070,041</b>	<b>22,464,703</b>	<b>93,791,338</b>	<b>49,516,628</b>	<b>44,394,775</b>	<b>28,945,087</b>	<b>73,911,351</b>

### 2.2.2 Rate and Tax

Audit Observation	Recommendation	Comments of the Accounting Officer
<b>(a) Rate</b>		
(i) Action had not been taken to recover Rs.1,533,485 of receivable rates from government organization since long period of time.	Rates in arrears should be recovered.	While it had been informed by letter and action will be taken to recover without any arrears.
(ii) Action had not been taken to recognise the newly constructed houses and building in develop area of Sabha and collect rates thereof.	Rate should be collected by recognising developed area.	Answers had not been provided.
<b>(b) Water Charges</b>		
(i) Action had not been taken to recover Rs.54,570 of water charges receivable from 09 units of Pasgama water project.	Water charges in arrears should be recovered.	Action will be taken to recover arrears through mobile services.
(ii) Action had not been taken to collect Rs1,409,142 water charges receivable from customers benefited from under Mudunakade water scheme.	Water charges in arrears should be recovered.	It was presented to subject minister in order to write off the due water charges.

## 2.2.3 Rent

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Audit Observation

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Action had not been taken to recover a receivable balance of Rs.231,410 as at 05 May 2014 from lease holder of no 03 stall in Thalathuoya.

## Recommendation

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Necessary step should be taken to recover shop rental without being arrears for long period of time.

Comments of the  
Accounting Officer

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A legal case is being placed for this stall.

## 2.2.4 License Fee

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Audit Observation

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Although fees had been paid to obtain trade license by 10 trading business at Marassana town, trade license had not been issued.

## Recommendation

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Action should be taken to issued such license.

Comments of the  
Accounting Officer

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Traders had been informed to collect the trade license.

## 2.2.5 Other Revenue

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Audit Observation

## (a) Three-Wheelers' Parking Charges

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Action had not been taken to collect receivable balance of Rs.1,671,550 as at 31<sup>st</sup> December 2018 from 446 three wheelers.

## Recommendation

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Performance of collecting Three-wheelers' parking charges should be improved.

Comments of the  
Accounting Officer

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Relevant measures are being taken to take legal action.

## (b) Advertising Board Revenue

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Action had not been taken to collect Rs.76,821 of receivable charges for 15 advertising boards in Thalathuoya area.

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Revenue should be collected from advertising boards.

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Action is being taken to inform firms by which advertising board charges need to be collected.

## (c) Telecommunication Tower Charges

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Action had not been taken to carry out survey on telecommunication towers and collect charges.

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A survey should be carried out and charges should be collected.

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Action will be taken to carry out survey and collect charges in future,

## 2.2.6 Court Fine and Stamp Duties

### Audit Observation

The receivable court fines and stamp duties as at 31<sup>st</sup> December 2018 was Rs.1,328,450 and Rs.64,018,942 respectively.

### Recommendation

Court fines and stamp duties in arrears should be collected.

### Comments of the Accounting Officer

Court fines received as at 15<sup>th</sup> March of 2019 was Rs.3,191,170 and as at 23<sup>rd</sup> April of 2019 was Rs.350,500 the some amount had been received as stamp duties in March 2019.

## 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) Vacated Affairs

### Audit Observation

The amount allocated for various activities during the year under review amounting to Rs.2,877,000 and Out of that, Rs.2,489,075 or 87 percent had not been utilize for relevant functions.

### Recommendation

The allocated funds for the well- being of public should be maximum utilized.

### Comments of the Accounting Officer

Action will be taken to overcome such kind of deficiencies in future.

#### (b) Solid Waste Management

### Audit Observation

Although Rs.200,000 had been allocated for environmental programs, they were not accomplished.

### Recommendation

Environment program should be performed.

### Comments of the Accounting Officer

Action will be taken to overcome such kind of deficiencies in future.

## (c) 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 activities, a plan had not been prepared in order to achieve sustainable development targets.

## Recommendation

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Plans should be prepared in relating to achievement of sustainable development targets .

Comments of the  
Accounting Officer

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Action will be taken to prepare, in future.

## 3.2 Management Inefficiencies

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Audit Observation

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(a) Since, the 280 water meters in Uduwala, Murapola and Kolabissa water project carrying out by Sabha, had been inactive, therefore correct water charges could not be collected.

(b) A sum of Rs.16,372,260receivable from 08 water projects had not been recovered.

## Recommendation

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Correct water charges should be collected, by installing new water meters for the inactive water projects.

Action should be taken to recover due charges.

Comments of the  
Accounting Officer

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Action had been taken to order water meters, they will installed as soon as it received.

Action will be taken to collect, by performing mobile services.

## 3.3 Human Resource Management

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Audit Observation

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(a) Within approved carder there were a 56 vacancies in 15 positions and a surplus in the position of Technical officer (Civil).

(b) The loan balance of Rs.160,854was receivable from officer who transferred to Kandy Municipal council had not been recovered still by the end of the year under review.

## Recommendation

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Should act within the approved carder.

Action should be taken to clear the loan balance immediate after thetransfer.

Comments of the  
Accounting Officer

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While, 29 persons were recruited for primary level positions and The gazette had been prepared and sent for approval in order to recruit to 07 positions.

Actions are already being taken to recover the loan balance.

### 3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to identify Burial land, Common wells, Clinic centre, lands and their ownership correctly.	Action should be taken to clear the ownership of property in possession of Sabha.	Action will be taken to clearly identify by survey on land and buildings.
(b) A registry including the details about lands received to Sabha, under land blocking had not been maintained.	Lands plot received to Sabha should be clearly recognized and a registry should be maintained with this regard.	It is being prepared by subject officers.
(c) Since the land plot No:13 and 40 received under the sub division of Kandurata Sadalla Land being the edge of area consist with hill and slopes had been unable to use for public facilities.	Council should acquire the land which is usable for public facilities and public services should be provided thereof.	It has been informed that the boundary fence in lands is settlement as it identified though the survey.
(d) Action had not been taken to renew the lease agreement, of 64 stalls rented out during the period of 1994 – 2012.	Lease agreement should be renewed.	Answers had not been provided.

### 3.5 Asset Management

#### 3.5.1 Safety of Assets not Secured

Audit Observation	Recommendation	Comments of the Accounting Officer
Three open stalls in Galaha open market had been rented out to outsider for more than 10 years of period, without having any agreement.	Agreement should be entered into, prior to lease out.	It had been sent to the valuation department for the new assessment. Future actions will be taken next after the receipt of them.

#### 3.5.2 Non- Collection of Revenue Receivable from Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Without meter, only a fixed water charge had been collected, from 2547 consumer units of 08 water schemes of Sabha.	Action should be taken to collect correct water charges, by installing water meters.	Since water meters have already been ordered, once it received action will be taken to set up.



(b)	Although, there is a more than 50 coconut trees fully grown and bear fruit in the 02 lands plot received to sub hander sub division of Kandurata Sandalla, despite of earning income, land had been allowed to run wild.	Steps should be taken for the revenue generation.	Forward action will be taken after recognizing through fixed assets survey.
3.5.3	Un Acquired Asset ----- Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
	Action had not been taken to obtain deeds for the lands plot received to Sabha from 06 lands blocking.	Should be taken over by a formal deed of lands received as donation.	Forward action will be taken after recognizing through land and building survey.
3.5.4	Idle and Underutilized Assets ----- Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
(a)	Backhoe loaders worth Rs 17,649,179 was given to Sabha on 06 <sup>th</sup> February 2015, was only 49.4 hours running engines off 11 days during the year under review, while Rs.577,181 had been incurred for the repair and other expenditure.	Vehicles should be utilized in maximum efficiency.	Action will be taken to utilize the Backhoe Loader in maximum efficiency, recruitment of the permanent driver.
(b)	Rs.703,000 worth 03 items in fixed assets had been idle or underutilized.	Measures should be taken not to being the assets inactive or underutilized.	03 Tractor Trailer were recommended for sale in board of survey in 2018.
(c)	When inspect a sample of inventory documents of Sabha, 336 water pipe accessories worth of Rs.200,029 which were in store for the period of 03 to 05 years had been idle.	Should take care of stock of inventory not to being idle.	In future, will be answered.
3.6	Procurement -----		
3.6.1	Procurement Plan ----- Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
	Although, a sum of Rs.38,012,125 of capital expenses were incurred, the	A procurement plan should be prepared.	Answers will be provided in future.

procurement plan had not been prepared for the year under review.

### 3.6.2 Contract Administration

#### Audit Observation

Development work of pavement the interlock in the front area of Ka/ Udapitiya Al Husna MahaVidyalaya.

According to preliminary estimate relevant to the work, although 25 N/mm<sup>2</sup>strengthen interlock should be paved, covering the area of 109.8 square metres, since, being the strength of used interlock around the range of 19.08 – 20.09 , a sum of Rs.251,479 had been paid for the use of poor quality materials.

#### Recommendation

Payment should be made only after the confirmation of quantitative and qualitative features included in specification.

#### Comments of the Accounting officer

Although estimate was prepared for 80mm height 25n / mm<sup>2</sup>, the interlock paved is being 70mm and approximately 20 n / mm<sup>2</sup>, therefore, a percentage from the bill had been deductedby considering the current market prices. , in order to prevent the loss occurred.