

Poojapitiya 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 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 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 Poojapitiya 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
(a) The value of 13 sports equipment granted to Sabha, had not been capitalized.	It should be accounted correctly.	Action will be taken to account, after obtaining the value.
(b) A Weight Plate set was donated to Sabha amounting to Rs.624,268 had not been accounted.	It should be accounted correctly.	Action will be taken to account correctly.
(c) Rs.771,601 of payables in relating to 07 projects had not been accounted as capital creditors.	It should be accounted correctly.	Action will be taken to account correctly.
(d) Rs.500,000 worth of 02 works which should be completed in the year of 2013, had been recognised as creditors and debtors without fulfilling them.	Industries that need to be fulfilled should be completed, at right time.	Action will be taken to write off these works in future, after presenting to the council.

1.3.2 Contingent Liabilities

Audit Observation	Recommendation	Comments of the Accounting Officer
The details in relating to 16 cases were sued by Sabha and being sued against Sabha in the reviewed year had not been revealed in the Financial statements.	Court cases should be revealed in the financial statement.	It is accepted that non-disclosure of them is an error.

1.3.3 Un-Reconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
A difference of Rs.122,600 was observed between the balances of 07 accounts in the financial statements, and source documents.	The accounts should be corrected by reconciling the differences of relevant balances.	Action will be taken to rectify the errors occurred, when preparing source documents.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Audit Observation	Recommendation	Comments of the Accounting Officer
The aggregate of accounts receivable that had been elapsed the period of 05 years amounting to Rs.163,073.	Receivable balance should be collected.	Part of receivable had already been collected and It had been planned to collect remaining balance.

(b) Accounts Payable

The aggregate of accounts payable that had been elapsed the period of 05 years amounting to Rs.3,300,522.	Payable balance should be settled.	Action will be taken to pay or write off, after obtaining approval of council or committee reports.
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1.3.5 Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
The aggregate of Rs.48,453,787 in relating to 04 accounts could not be satisfactorily vouched in audit, due to the non-presentation of	Evidences should be presented to verify the account balances in the financial statements.	Fixed assets register of Lands and buildings had been corrected, and since, a FR 104(4) examination had

information such as, fixed assets register, inventory register, balance confirmation letters, Source documents and agreements ect...

been carried out for tube well stock and a special examination had been carried out to get to know information, balance confirmation will be presented, after receiving such reports. Further action will be taken to present information after receiving balance confirmation letters on pension in arrears.

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 (Financial and Administration) rules of 1988 Rule 218	A yearly survey had not been carried out in relating to Lands and buildings.	Building survey should be carried out.	Survey on lands and buildings had been carried out, after pointing out by Audit.
(b) Section 10 of the Circular of commissioner of Local government No.2016/03 dated 17 th March 2016.	Although subleased of stalls is prohibited, 24 stalls in Poojapitiya trade complex had been subleased.	It should be compliance with The circular.	Actions had been taken as per the circular of commissioner of local authority, No.2016/03, in relating to the persons who had subleased the stalls and it had been proven with evidence
(c) Public administration Circular No.25/2014 dated 29 th December 2014.	(i) 12 field labours had been recruited and 06 out of them had been assigned for office work.	Duties should be assigned according to the nature of position.	04persons had been assigned for office work and, labours will be appointed to library when vacancies will be filled.

- (ii) When getting permanent the 02 employees in the position who were appointed in 2014, leaving certificate of school had based upon. The appointment should be permanent based on education certificates. Required qualification is grade 05 pass and since there is no such certificate, the leaving certificate was considered.

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.11,721,181, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,787,258.

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 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 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	3,113,959	3,187,984	2,523,167	2,744,670	6,770,000	12,484,060	8,276,425	17,044,620
(ii) Rent	3,957,540	2,578,603	2,727,587	364,976	1,473,000	1,280,180	1,205,740	800,262
(iii) Licence fee	2,217,100	2,449,000	2,449,000	--	1,301,000	1,411,600	1,411,600	--
(iv) Other income	17,221,000	17,366,135	7,243,607	28,642,420	29,000,000	32,857,590	38,963,237	15,584,440
Total	26,509,594	25,581,725	14,943,361	31,752,066	38,544,000	48,033,430	49,857,002	33,429,322

2.2.2 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) A sum of Rs.1,825,500 that should be charged from 26 stalls of Poojapitiya trade complex was in arrears.	Shop rent in arrears should be collected.	As per the instruction of the Commissioner of Local Government, under the council decision no: E:1:3 held on 09 th April 2019, it was decided to write off that money. Then, it had been sent for the approval of honourable governor.

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|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| (ii) | A sum of Rs.140,840 of lease rent which is receivable from the year of 2001 from stall no:04 of Ambathanne trade complex had been still in arrears as at 31 December 2018. | Action should be taken to collect shop rental in arrears. | While a sum of Rs.95,000 was collected in the year of 2019, and 02 month of grace period had been given to pay the remaining balance. |
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2.2.3 Court Fine and Stamp Duties

Audit Observation

The receivable court fines and stamp duties as at 31st December 2018 was Rs.1,221,788 and Rs.27,420,632 respectively.

Recommendation

Performance of collecting income in arrears should be improved.

Comments of the Accounting Officer

Out of the income in arrears, a sum of Rs.4,654,110 had been collected in 2019,

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by Sabhaas 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) By - laws

Audit Observation

A system for collecting parking charges from vehicles other than the three wheelers had not been introduced still at the end of the year under review.

Recommendation

A system for collecting parking charges from vehicles other than the three wheelers should be introduced.

Comments of the Accounting Officer

Action had already been taken to identify the places of parking and draft an interim constitution.

(b) Solid Waste Management

Audit Observation

A consideration was not given by Sabha to produce compost or to follow a recycling method by using degradable waste.

Recommendation

Action should be taken to produce compost or to follow other recycling method.

Comments of the Accounting Officer

Initial actions are being taken to acquire Enasalmada land plot, which had been reserved to release garbage.

(c) Sustainable Development Goals

	Audit Observation	Recommendation	Comments of the Accounting Officer
	<p>As per the circular No.NP/SP/SDG/17 dated 14th 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</p>	<p>As per the circular, relevant plan should be prepared to achieve sustainable development goals and targets.</p>	<p>In 2018, this was not properly informed and when preparing the budget for the year 2019, considerable awareness had been paid with this regard.</p>
3.2	Human Resource Management		
	<p>Audit Observation</p> <p>There was 24 vacancies within approved carder, as at 31st December 2018.</p>	<p>Recommendation</p> <p>Employees should be recruited for 24 vacancies, as per the recruitment procedure.</p>	<p>Comments of the Accounting Officer</p> <p>The approval of the Commissioner of Local Government had been given for the recruitment.</p>
3.3	Operational Inefficiencies		
	<p>Audit Observation</p> <p>(a) The water under 22 community water schemes in the council area was being distributed, without having a sample test.</p> <p>(b) Without carrying out a new valuation on lease rent for 66 stalls in 03 trade complex belongs to Sabha, since the year of 2001 to 2016, A monthly charges of Rs.1000 had been collected.</p>	<p>Recommendation</p> <p>The water should be distributed by having water sample test.</p> <p>Action should be taken to charge lease rent by following new valuation on lease rent.</p>	<p>Comments of the Accounting Officer</p> <p>Action will be taken to obtain the water testing report issued by community water department, in future.</p> <p>Action had been taken to charge Lease rent valuation in arrears since November 2018.</p>
3.4	Asset Management		
3.4.1	Non- Assurance of the Safety of Assets		
	<p>Audit Observation</p> <p>(a) The documents required to prove the legal ownership of the land in which the building</p>	<p>Recommendation</p> <p>The documents which prove the undisturbed</p>	<p>Comments of the Accounting Officer</p> <p>According to the court case related to the place</p>

of Marathugoda Gam Sabha is situated was not in the possession of Sabha.

ownership of the assets should be kept with the shaba.

in which library building is situated, there is an undisturbed ownership, when it is surveyed

- (b) The legal charges paid Rs.67,000 during 06 subsequent years in relating to the cases sued against the Sabha, due to construction of building of which ownership was not with Sabha, seems to be a loss to the council fund.

Construction should be done, by ensuring the ownership of assets.

Even though the ownership should be confirmed at the moment of construction, such matter had not been considered.

- (c) Even though there was a declaration deed for Ambathanne trade complex, action had not been taken to confirm the ownership through a formal deed.

Action should be taken to confirm the ownership of assets formally.

Since, having the possession more than 17 years, the Sabha received the possessory title. Hence action had been taken in future, to confirm the ownership by court.

3.4.2 Non- Collection of Income Receivable from Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

Since, 04 stalls in Poojapitiya trade complex had been closed down since 2001, A sum of Rs.480,000 had been lost to Sabha only for last 02 years.

Action should be taken to identify receivable income and recover them.

02 stalls had been rented out in through the tender in 2019.

3.4.3 Idle or Underutilized Assets

Audit Observation

Recommendation

Comments of the Accounting officer

03 Motor vehicles of Sabha valued to Rs.18,055,662 and 03 machineries had been idle or underutilized for more than 03 years.

Action should be taken in relating to idle or underutilized assets.

Actions will be taken in future, after receiving the valuation report.

3.4.4 Annual Board of Survey

Audit Observation

Recommendation

Comments of the Accounting officer

Any action had not been taken in relating to the recognized shortage of 60 items in 33 equipment in tube well store which valued Rs.657,422 according to the board of survey carried out in 2013.

Recommendation of board of survey report should be implemented.

It had been informed to submit the report immediately.

3.5 Non Economical Transaction

Audit Observation

Even though Shabha had paid Rs.400,000 amount to purchase 09 acres and 01 rood land plot from Enasalmada Land for the waste management program, in 2013, the particular program had not been implemented and the land had not been acquired until end of the year under review.

Recommendation

Action should be taken to legally acquire assets belongs to Sabha and initiate projects within the relevant period.

Comments of the
Accounting officer

Further actions will be taken after receiving valuation report.