

Kotikawatha - Mulleriyawa Pradeshiya Sabha

Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 29 March 2019 and the summary report and the Detailed Management Audit Report of the Auditor General on the financial statements had been issued to the Chairman on 18 June 2019 and 31 August 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Kotikawatha - Mulleriyawa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year the ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Even though the value of 04 Gumboots received from the Waste Management Authority in the current year amounted to Rs.8,400, it was brought to account as Rs.84,000 and overstated by Rs.75,600.	It should be considered the accuracy in accounting.	Accepted. Action will be taken to correct in the final account 2019.
(ii) The revenue receivable from leasing out of Ambatale Tank Boat yard for the year 2018 amounting to	All transactions should be brought to account.	Accepted - Action will be taken to correct it in the final account of 2019.

Rs.120,000 had not been brought to account.

(iii) A Pension gratuity amounting to Rs.212,210 paid to an officer in the year 2012, had not been eliminated from the deposit account and a sum of 38,671 recovered from the no pay leave of an officer had been credited to the deposit account.

All receipts should be brought to revenue account.

As per the cash book it was confirmed that a sum of Rs.212,210 was paid on 30 August 2012 though it was not recorded in the deposits register. A sum of Rs.38,672 recovered for no pay leave had not been taken into revenue, Action will be taken to correct it in the final accounts of 2019.

(iv) The audit fees amounting to Rs.409,542 relating to the year under review had not been brought to account.

All expenditure and payable fees should be brought to account.

Accepted. Action will be taken to correct it through final accounts of 2019.

(b) Contingent Liabilities

Audit Observation

The value of the compensation for 02 lawsuits out of 04 lawsuits instituted against the Sabha by the external parties claiming compensation in the year under review had not been decided. Even though a compensation of Rs.911,742 was decided in respect of 02 lawsuits it was not disclosed in the financial statements.

Recommendation

Contingent liabilities should be disclosed in the financial statements.

Comments of the Accounting Officer

Accepted. Action will be taken to correct it through final accounts of 2019.

(c) Unreconciled Control Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A difference of Rs.57,856,134 was shown between the balances according to the financial statements of 04 items of accounts as at the end of the year under review and the balances according to the schedules.	Action should be taken to reconcile the difference of relevant balances and to rectify the accounts.	This difference occurred due to changes of the values of opening balances given for schedules. Action will be taken to identify and to rectify the schedule.

(d) Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Three items of accounts totalling Rs.48,550,691 could not be satisfactorily vouched in audit due to non submission of detailed schedules and title deeds.	The evidence to confirm balances of accounts shown in the financial statements should be furnished.	The motor vehicles, and cart account and machinery and equipment account had been maintained accurately from the year 2015, the registered title deeds will be furnished to audit in future.

1.4 Non-compliances

Non compliance with Laws, Rules, Regulations and Management Decisions

Audit Observation			Recommendation	Comments of the Accounting Officer
Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance		
	Rs.			
a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i) Financial Regulation 571	1,219,389	Action had not been taken on deposits older than 02 years.	Action should be taken in terms of Financial Regulations.	Accepted. Action will be taken to rectify in the final accounts of 2019.
(ii) Financial Regulation 756	60,236,594	The balances of closing stock of general stores and electrical stores, had not been reconciled with the value of the verification of physical stock and had not been adjusted in the accounts.	Action should be taken in terms of Financial Regulations.	Accepted. Action will be taken to rectify in the final accounts of 2019.
b) Circulars				
(i) Public Finance Circular No 3/2015 dated 14 July 2015	3,257,800	The sub imprests could be granted maximum of Rs. 100,000 in one instance for the officers of executive grade only for an specific activity, had been issued in 09 instances ranging from	Action should be taken in terms of the Circular.	Action will be taken according to the Public Finance Circular No 3/2015 in granting sub-imprests

Rs.131,250 to
Rs.1,000,000 for 04
officers of non executive
Grade

- | | | | | |
|---|---|--|--|--|
| (ii) Local Government Circular No. LGD/13/2016 dated 09 November 2016. | - | The assessment of trade stalls had not been carried out once in 03 years. | Action should be taken in terms of the Circular. | A request had been made to the Department of Valuation on 22 October 2018 requesting a new assessment for trade stalls. Accordingly they informed that the field inspection was completed and the report could be submitted within next month. |
| (iii) Urban Solid Waste Management Rules 18(1) of the Western Province No 01 of 2008. | - | Action had not been taken to collect waste tax to settle the expenditure for collecting of waste house to house in addition to the paying tax for the Local authority. | Action should be taken in terms of the Circular. | A methodology to collect waste tax from houses and business places was prepared and the responsibility thereon had been entrusted to an investigation officer |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha, for the year ended 31 December 2018 amounted to Rs. 96,343,250 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.99,183,339.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The current account No 098-1-001-8-3913966 in the People's Bank, Kolonnawa had been deactivated from 31 August 2018 and the amount remained in that account as at that date had been transferred to the account No. 965 remained in the same bank. But action had not been taken to investigate in respect of the cheques deposited but not realized amounting to Rs.1,098,123	Action should be taken to investigate in respect of the cheques not realized.	The cheques amounting to Rs.1,098,123 brought forward continuously and action will be taken to rectify it
(b) According to Bank reconciliation statement of the current account No.098-1-001-8-3913965 in the People's Bank Kolonnawa as at 31 December 2018 the cheque for which not mentioned the date and the cheque number amounting to Rs.28,197 was not cleared and a cheque deposited on 11 September 2012 amounting to Rs.2,687 was not realized.	Action should be taken to investigate the relevant cheques and to rectify	The cheque amounting to Rs.28,197 could not be found so far and action will be taken to correct it. and also the cheque deposited on 11 September 2012 but not realized amounting to Rs.2,687 will be rectified.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

Information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the previous year appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	53,472,000	46,574,845	49,928,698	43,971,690	54,202,384	48,439,066	57,976,651	60,692,872
(ii) Lease Rent	11,643,000	3,154,200	606,306	3,524,300	3,992,508	3,489,440	5,497,628	2,452,609
(iii) Licence Fees	1,072,500	697,230	697,230	-	-	566,110	566,110	-
(iv) Other Revenue	-	97,405,778	97,405,778	-	-	77,306,864	77,306,864	-
Total	66,187,500	147,832,053	148,638,012	47,495,990	58,194,892	129,801,480	141,347,253	63,145,481

2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Out of the opening balance of arrears of rates and taxes amounting to Rs.40,888,466 in the year under review a sum of Rs.18,169,836 or 44 per cent and out of the rates and taxes relating to the current year a sum of Rs.30,218,642 or 62 per cent had been recovered during the year.	Prompt action should be taken to recover arrears of rates and taxes.	Out of the arrears as at 31 December 2018 a sum of Rs.9,459,969 or 24 per cent and a sum of Rs.23,271,314 or 52 per cent relating to the current year had been recovered by 30 April 2019.
(b) The total arrears recoverable from 05 assessment rates accounts which were in arrear more than Rs.50,000 amounted to Rs.621,308 But action had not been taken either to recover the arrears or to restrain the properties.	Prompt action should be taken to recover all arrears recoverable.	<ul style="list-style-type: none">• Assessment No-185 - relevant action is being taken to institute law suits to recover arrears.• Assessment No - 35 - As this property belonging to the Sabha, a decision had been taken in the Sabha meeting to stop billing and to write off the arrears.• Assessment No - 18 - paid and completed.• Assessment No - 134/32 and assessment No - 01 - Red notices were given to recover arrears of rates.• Mobile services and activities of restraining of properties had been commenced covering the authoritative area at present.

2.3.3 Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
The upstairs houses of the Angoda Junction had been rented out for lessees on lease basis at the rate of Rs.450 per month, while a sum of 63,000 had remained in arrear from 03 houses.	Prompt action should be taken to recover arrears of lease rent.	The final notices had been issued on 03 May 2019. Action will be taken to carry out legal actions if evading the payments further.

2.3.4 Courts Fines

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha had not recovered any revenue of courts fines from the past 04 years. while a sum of Rs.24,000,000 had to be recovered as at the end of the year under review.	Action should be taken to recover all revenue receivable.	Even though a sum of Rs.24,000,000 due to be received as court fines revenue, the Magistrate Courts had not examined that and not sent to us.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Predeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and well being of the people are given below.

(a) Abandoned Activities

Audit Observation	Recommendation	Comments of the Accounting Officer
Under the programme of Implementation of Decentralized budget 2017 a two works of which the estimated value amounting to Rs.1,499,259 had been totally	In planning of a project it should be obtained all particulars and should be analyzed and investigated the community attitudes.	The dwellers of the first part of the road had objected as not to access to the relevant place in commencing of the project by the contractor. As such

abandoned without being commenced due to public resistance.

the project was cancelled and informed the office of the Chief Secretary.

(b) Solid Waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>In terms of the paragraph 59 of the Chapter 6 of the Urban Waste Management Rules No.01 of 2008 of the Western Province, the production of bio gas and / or other technological methods had not been implemented by utilizing waste with making compost of entire bio degradable waste in the authoritative area as a remedial action for non availability of the accommodation to broaden the compost yard maintained by the Sabha at this moment</p>	<p>As a solution to the waste problem of the authoritative area of the Sabha, produce of compost should be adopted effectively.</p>	<p>About 5 tons of the waste remained in the Compost Yard at present are being utilized only for making composts. It is a problem of non availability of the adequate accommodation with the Sabha to broaden it. The matters in respect of the ability to produce bio gas is being investigated in these days utilizing the bio degradable waste with the assistance of the private sector and as such action will be taken to plan a formal methodology.</p>

(c) Sustainable Development Goals

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>The Sabha had not aware in respect of the 2030 Agenda of Sustainable Development Goals.</p>	<p>Action should be taken according to the 2030 Agenda of Sustainable Development Goals.</p>	<p>A five years plan including with the sustainable development goals on the instructions of the Ministry of Local Government had been prepared, and each targets for the year 2019 was included to the annual estimate and provisions were allocated.</p>

3.2 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) According to the approved cadre of the Sabha. 26 vacancies had existed in the actual cadre.	Action should be taken to fill staff vacancies.	Accepted.
(b) Out of the loans granted by the Pradeshiya Sabha to 07 employees, no installment / money whatsoever had been recovered and it was amounted to Rs.269,892	Prompt action should be taken to recover loans.	Action was taken to recover the loans in respect of 6 employees and to obtain legal advice in respect of one employee.

3.3 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Ambatale Boat Yard belonging to the Pradeshiya Sabha		
The Mulleriyawa, Ambatale weva Boat Yard including Jetty and building, land and park belonging to the Pradeshiya Sabha had been leased out at a lease amount of Rs.10,000 per month to maintain as a sole business.	Legal ownership should be obtained in respect of all fixed assets and action should be taken to recover all revenue recoverable to the Sabha.	Even though the information was revealed that, the vesting of ownership was made based on the transfer letter of the Urban Development Authority, the written evidence there on was not made available, and it was enquired further from the Urban Development Authority. After the letters received it will be furnished to audit. It was informed to pay arrears of tax, and action will be taken to take legal action against the lessee due to non paying of tax.

- (i) Even though, this property had been leased out for a period of 03 years considering as a property belonging to the Sabha, the title deeds, vesting documents had not been made available for audit.
 - (ii) Action had not been taken for vesting of these properties to the Sabha from original proprietors.
 - (iii) The payment of tax had been evaded by said lessee and action had not been taken by the Sabha to recover a sum of Rs.164,000 as arrears of tax and penalties in respect of current year.
- (b) It was observed at the physical examination carried out on 19 March 2019 that unauthorized persons had occupied in 05 trade stalls of the Angoda. Public Market Complex. The attention of the top management had not been paid, to remove unauthorized persons and to repair of those trade stalls and to tender and generating revenue through leasing out of those.
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| Action should be taken to protect the assets of the Sabha and to generate revenue. | Action is being taken to remove unauthorized persons and to repair trade stalls and tender and for leasing out on rental basis. |
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4. **Accountability and Good Governance**

Internal Audit

Audit Observation

An adequate internal audit had not been carried out for the year 2018.

Recommendation

In terms of Section 38(1)(f) of the National Audit Act No 19 of 2018 an efficient internal audit should be carried out.

Comments of the Accounting Officer

According to the Internal Audit plan for the year 2018, nine internal audits had been carried out. The respective divisions had been informed accordingly.