

Palindanuwara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on March 31 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 15 July 2019 and 23 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of 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 Palindanuwara Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basics for the Qualified Opinion

a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
i. Buildings accumulated to Rs.5,083,769 Furniture an fittings purchased for Rs.39,204 and Office Equipment had not been capitalized for the year 2018.	Should be accounted correctly.	Actions would be taken to capitalize accurately in the Final Accounts of the year 2019.
ii. The book value of the stock of Rs.2,092,359 had been accounted instead of the physical value of the stock.	Should be accounted correctly.	Actions would be taken to account the physical stock in the Final Accounts of the year 2019.
iii. The value of 16 Boats and Anglers of Rs.1,234,000 had not been stated in the Financial Statements received as donations from the Department of Local Government.	Should be accounted correctly.	Actions would be taken to account it accurately.

b) Lack of Necessary Documentary to Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Accumulated value of Rs.63,680,327 on 04 items of accounts could not be satisfactorily vouched during the audit due to non rendition of update Fixed Assets Register, Titles and Transfer Orders, Board of Survey Reports and Inventory Documents.

Evidence should be given as to prove the accounts balances.

Actions would be taken to account it accurately in the future.

c) Payable Accounts

Audit Observations

Recommendations

Comments of the Accounting Officer

- i. According to the Financial Statements of the Palindanuwara Pradeshiya Sabha amount stated as receivable of Rs.5,931,815 from Agalawatta Pradeshiya Sabha and in the Financial Statements of the Agalawatta Pradeshiya Sabha amount stated as receivable of Rs.5,342,424 from Palindanuwara Pradeshiya Sabha and payable amount of Rs.7,782,632 to the Palindanuwara Pradeshiya Sabha. Actions had not been taken to resolve this matter during the year under review.

The balances should be settled.

Actions would be taken to make this correct after receiving the advices from the Department of Local Government.

- ii. Actions had not been taken to settle balances of industrial debtors balances of Rs.622,055 since year 2015.

The balances should be settled.

This amount had been a cash in hand so amount would be settled after completing the errors of the project.

1.4 Non Compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Pardeshiya Sabha Act No.15 of 1987				
i. Section 134(1)		Actions had not been taken to reassess the rates from the real estates in the areas declared as developed by the Sabha.	Actions would be taken according to the Pradeshiya Sabha Act.	The subsidiary registers had being made for the reassessment.
ii. Section 160		Forbidding the Property had not been done as the final step of recovering the rates.	The rates in arrears should be recovered.	Actions would be taken to charge in the future.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules				
Rule No.218	16,760,000	All the lands and buildings should be investigated at least once a year.	Actions should be taken according to the rules.	Actions would be taken to investigation in the future.
(c) Local Government Circular No.1988/22 on 17 May 1988		Actions had not been taken to assess the property at least every 05 years.	Actions should be taken according to the Circular.	Actions would ben taken to assess the property in the year 2019.

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.7,712,853 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,410,156.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,433,300	2,220,147	2,277,484	177,290	2,468,245	2,179,736	2,595,487	263,712
(ii) Rent	6,100,300	5,381,600	5,461,355	357,963	5,452,000	4,092,313	4,345,591	249,618
(iii) Licence Fees	350,000	-	411,408	-	25,000	-	204,603	-
(iv) Other Revenue	10,068,400	326,747	16,135,112	8,410,709	11,193,000	-	4,029,357	13,927,229

2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
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i. The Opening Balance for the year under review of the rates in arrears of Rs.201,917 and 27 per cent of Rs.55,513 had not been recovered during the year.	Actions should be taken to recover the balance rates in arrears.	Actions would be taken to recover.
ii. The balances between 01 to 03 years had been Ts.24,487, balance between 03 to 05 years had been rs.18,992 and balance over 05 year had been Rs.42,456 in the balance as at the end of the year under review.	Actions should be taken to recover the balance rates in arrears.	Actions would be taken to recover it by forbidding the property.

2.2.3 Acreage tax

Audit Observations	Recommendations	Comments of the Accounting Officer
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The Opening balance of the acreage tax for the year under review had been Rs,54,141 and 59 per cent of Rs.31,704 had not been recovered during the year under review.	Actions should be taken to recover the arrears income.	Actions would be taken to recover in the year 2019.

2.2.4 Other Revenue

Audit Observations	Recommendations	Comments of the Accounting Officer
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i. Rs.78,600 of 50 Bulletin Boards that had been hung in the year 2018 without relevant authority from the Secretary of the Sabha according to the Local Authority Act (By-laws) No.06 of 1952.	The amount should be charged under the by-laws of the Local Authorities.	The boards that do not pay the charge would be removed.

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| ii. The actions had not been taken to register the Three-wheelers and charge the fees parked in the places located within the Sabha Territory. | Actions should be taken to charge the relevant fees. | Actions would be taken to charge the relevant fees. |
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2.2.5 Court Fines and Stamp Duty

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
i. <u>Court Fines</u> The arrears in the Court Fines as at the beginning of the year had been Rs.900,000 and no money had been received during the year. The billed amount had been Rs,1,500,000 for the year under review and the receivable income from court fines as at 31 December 2018 had been Rs.2,400,000.	Action should be taken to recover the Court Fines.	Actions would be taken to recover.
ii. <u>Stamp Duty</u> The arrears in the Court Fines as at the beginning of the year had been Rs.13,000,000 and no money had been received during the year. The billed amount had been Rs.5,300,000 for the year under review and only an advance of Rs.9,990,000 had been received. Therefore Rs,8,310,000 amount had been stated in the Financial Statements as receivable balance of the Stamp Duty Income for the 31 December 2018.	Action should be taken to recover the Stamp Duty.	Actions would be taken to recover.

3. Operating Review

3.1 Performance

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) <u>By-laws</u> Even though by-laws should be imposed on 16 main matters under the Section 126 of the Pradeshiya Sabha Act as at 31 December 2018, the by-laws had been imposed only on 06 matters.	Action should be taken to allocate necessary by-laws on the matters that had not been considered.	Actions would be taken impose by-laws in the future.
(b) <u>Action Plan</u> The imprest need and the imprest plan had not been made on the provisions of Rs.60.1 million allocated by the annual budget. Roads and development Projects of Rs.1,200,000 had not been identified in the Action Plan that had been allocated by the annual budget.	An action plan should be made according to the circulars.	Actions would be taken to make an action plan under the annual budget.
(c) <u>The Projects exceeded the allocated Provisions</u> Even though it had been allocated Rs.1.2 million by the budget Rs.4,191,171 had been paid to the contract union therefore the amount over paid and not allowed had been Rs.2,991,170	The estimates should be realistic	The acceptance would be obtained for the overpayment in the future.
(d) <u>Solid Waste Management</u> Even though a compost project had been done from the decaying waste on a cost of Rs.3,460,515 in the year 2018 on Solid Waste management and received an income of Rs.218,784 in the year 2018 it had not been collected the waste covering the whole territory of the Sabha.	The actions should be taken to carry out the process of Solid Waste Management effectively and efficiently	Actions would be taken to make new zones and make the process of collecting garbage wider.

(d) **Targets of Sustainable Development**

Even the Officers had been aware on the Sustainable Development Targets sufficient actions had not been taken to achieve the targets. The 03 Strategies introduced by the Department of Budget by the Department of Budget Circular No.BD/CBP/4/1/2-2018 on 11 July 2017 had not been taken to consider when making the budget estimate.

Actions should be taken according to the Circulars and the guidelines.

Actions would be taken to correct in the future.

3.2 Operating Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

- | Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|--|---|
| a) Agalawatta Pradeshiya Sabha had been divided into two Pradeshiya Sabhas as Palindanuwara and Agalawatta on 15 April 2006 and as a result the assets and liabilities of the Agalawatta Pradeshiya Sabha had not been shares and categorized as at 20 June 2019. | The Assets and Liabilities should be shared and categorized as soon as possible. | The actions would be taken to correct this after obtaining the advices from the Department of Local Government. |
| b) According to the agreement Rs.84,060 of Fine had been receivable from the lessee of the Sunday Pork Stall had not been complied continuously from year 2017 and actions had not been taken to recover the amount. | Actions should be taken to charge the fines. | Lawsuits had been taken against to recover this amount. |
| c) According to the Rule No.68 of the Pradeshiya Sabha Act in 1988 tax had not been imposed on the Lands not Developed within the Sabha Territory. | Actions should be taken according to the Rules. | An inspection had been done on the Lands not Developed in the year 2019. |

3.3 Assets Management

3.3.1 Assets Not Registered

Audit Observations	Recommendations	Comments of the Accounting Officer
Actions had not been taken to identify roads owned by the Sabha correctly and make a list and gazette them.	Assets should be identified and Registered.	Actions would be taken to make it correct in the future.

3.3.2 Not Ensuring the Security of the Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
a. An unauthorized person had been resided in the Land of 10 perches located behind the Sabha Office and Public Library since number of years.	Unauthorized people should be evacuated and assets should be protected.	Actions would be taken to rent out the Land from the year 2019.
b. 264 GI pipes had been misplaced given by the Department of Divineguma in November 2014 and actions had not been taken about this matter.	Actions should be taken to charge the loss from the liable parties.	Actions would be taken to carry on an inspection by the Office of the Assistant Commissioner of the Local Government.

3.3.3 Assets Not Acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
02 out of 32 cemeteries within the Sabha Territory owned by the Sabha and actions had not been taken to acquire the remaining 30 Lands.	Actions should be taken to acquire the cemeteries within the Sabha territory.	Actions would be taken to survey the Lands.

3.3.4 Identified Losses

Audit Observations	Recommendations	Comments of the Accounting Officer
A loss of Rs.224,000 had been occurred to the Sabha because of not taking the Technical Evaluation Committee Decisions and not selecting the minimum price suppliers when purchasing the	The Procurement should be done according to the Procurement Guidelines.	The decisions of the Technical Evaluation Committee would be considered and the

Hume Pipes in 2018.

Procurement Committee decision would not be considered when purchasing Hume Pipes in the future.

3.4 Procurement

3.4.1 Procurement Plan

Audit Observations

Recommendations

Comments of the Accounting Officer

Even though procurement plan had been made by the Sabha a formal procurement plan had not been made on the provisions Rs.9.73 million allocated by the Budget.

The National Procurement should be done according to the Procurement Guidelines.

A proper procurement plan would be made in the year 2019.

3.4.2 Contract Administration

Audit Observations

Recommendations

Comments of the Accounting Officer

a) 04 projects had been constructed without accepting a proper designs or acceptance of Rs.6.8 million

Actions should be taken according to the Contract Agreements.

Answers had not been provided.

b) 04 contracts of Rs.4.2 million had been assigned to a contract union without considering the primary conditions when choosing contract union form the direct offering method.

The quality should be physically assured before making the payments.

Answers had not been provided.

c) Rs.492,960 had been paid for laying tar and developing Walapitiyakanda Road to the Contract Union even though it had been in the low quality with rocky surface.

The quality should be physically checked before making payments.

Answers had not been provided.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Even though a program of Internal audit had been made for the year 2018 Sabha had not been carried out an Internal Audit.	A Internal Audit should be planned and carried out according to the Circulars.	Actions would be taken to carry out in the year 2019.

4.2 Disobeying the decisions of the Provincial Committee on Public Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
The order given by the Provincial Committee on Public Accounts held on 04 and 11 January 2011 had not been done as at 22 June 2019 on the Sections 1.2(d), 1.3.3(i), 1.3.3(vi),1.5,1.6(ii) in the Report of the Auditor General 2011 and the Sections 2.2.1(c), 2.2(b)(i), 2.2.4(b) and Report of the Auditor General 2012.	Orders of the Provincial Committee on Public Accounts Should are obeyed.	The necessary investigations are being carried out.