

Panadura 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 11 April 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 26 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 Panadura 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. A difference of Rs.678,765 had been appeared among the balances of the accounts even though the balances of the Contributing Revenue to the Capital Application Account and Contributing Donations to the Capital Application Account should be equal to the Fixed Assets Account.	Should be accounted correctly.	Actions would be taken to account it accurately from the Final Accounts of the year 2019.
ii. The recurrent expenditure relevant to the year under review of Rs.120,316 paid in the year 2019 had been missed by the Financial Statements.	Should be accounted correctly.	Actions would be taken to account it accurately from the Final Accounts of the year 2019.
iii. Because of The Warrant Fees amounting to Rs.1,009,678 received in the year under review had been debited to the Expenditure Control Account and debited to the arrears in rates account, expenditure for the year had been overstated by Rs.1,009,678 and the rates in arrears had been	Should be accounted correctly.	Actions would be taken to account it accurately from the Final Accounts of the year 2019.

understated by Rs. 1,009,678.

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| iv. | The advance rates of Rs.1.670,654 paid in the year 2017 for the year 2018 had been debited to the advance rates in the year under review but it had not been credited to the arrears in rates. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| v. | The discounts given for the rates during the year under review of Rs.826,271 had not been debited to the Expenditure Control Account and credited to the arrears in rates account. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| vi. | Other revenue in the program of Common Administration and the Rent of the Common Needs Services had been overstated respectively of Rs.10,791,838 and Rs.2.236.050. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| vii. | Even though a balance of Rs.52,838 should be debited to the deficiency and redundancy account and credited the Fixed Deposits account according to the paragraph 2.2.1 (g) of the Auditor General's Report 2017, it had been credited to the deficiency and redundancy account without any debit. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| viii. | Rs.626,000 out of the value of the Compactor Vehicle valued Rs.11,934,000 given by the Department of Local Government on Loan Basis, had not been capitalized. Also the value of the Compactor Vehicle had not been debited to the Utility Services Account and credited to the Provincial Council Loan Account. | Should be accounted correctly. | Actions would be taken to account it accurately. |
| ix. | The money recovered by the stamp duty as at 31 December 2018 relevant to 02 Tractor and Trailers given by the Provincial Council on Loan Basis in the year 2017. | Should be accounted correctly. | It had not been informed that the Loan installments would be settled by the Stamp Duty at the moment of accounting. |
| x. | The Electronic Equipments issued during the year under review of Rs.6,447,284 had been accounted as Rs.647,289 in the Electronic Stock Account, therefore the Electronic Stock Account balance had been overstated by Rs.5,799,995 and expenditure for the year had been understated | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |

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| xi. | The creditor's provisions had not been made for Rs.3,170,608 that should be payable for Commissioner General of Pensions. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| xii. | The Expenditure for the Transport and Service Needs in the Common Administration Program had been overstated by Rs.498,135. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| xiii. | The amount of Rs.200,000 should payable to the Commissioner General of Pensions had been stated under Capital Expenditure except for Recurrent Expenditure. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| xiv. | The Capital Aids for the year under review had been understated by Rs.81,110 | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| xv. | A Debtor's Provision had been made for a industries had been paid over in the year under review of Rs.70,768. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |
| xvi. | The Stamp Duty Account had been overstated by Rs.1,167,500. | Should be accounted correctly. | Actions would be taken to account it accurately from the Final Accounts of the year 2019. |

b) Unreconciled Accounts

Audit Observations

Recommendations

Comments of the Accounting Officer

The difference of Rs.85,725,192 had been occurred between the accumulated balance of Rs.294,787,470 regarding 10 account balances stated in the Financial Statements and Subsidiary Registers.

The differences should be reconciled and corrected.

Actions would be taken to inspect the account and correct.

c) Payable Accounts

Audit Observations

Recommendations

Comments of the Accounting Officer

The Value Added Tax Payable at the end of the year had been Rs.4,006,387 including the Value Added Tax received for projects of Rs.1,516,322 for the year under review.

The Payable balances should be settled timely.

After recognizing to whom it should be sent the Valued Added Tax received by the Projects.

d) Lack of Necessary Documentary to Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Accumulated value of Rs.42,806,299 on 06 items of accounts could not be satisfactorily vouched during the audit due to non rendition of update Debtors Register detailed Documents.

Evidence should be given as to prove the accounts balances.

Actions would be taken to account it accurately from the Final Accounts of the year 2019.

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 147 and 149		Even though it had been stated by the No.14 Tourist Board Development Act 1968, 01 per cent of annual earnings should be charged as a fee when issuing the License It had been observed that 10 hotels are running the business without the specific Trade License.	A License should be issued after charging 01 per cent of annual earnings.	08 Hotels had been informed to obtain the License, one Hotel had been paid the Tax and another had informed they should not pay the Tax.

ii. Section 154(1)	1,336,505	01 per cent tax had been charged from 03 land sales on the assessment of the Revenue Inspector.	The 01 per cent Tax should be charged on the earnings of the land sale.	The orders had been given but because of not paying the advices had been given to the revenue inspector to take the legal actions.
iii. Section 160		Forbidding the Property had not been done as the final step of recovering the rates.	The rates in arrears should be recovered.	Advices had been given to the revenue inspectors to recover the rates or if not forbid the property.
(e) 1988 Pradeshiya Sabha (Finance and Administration) Rules Rule No.218	126,193,162	All the buildings owned by the Sabha should be inspected at least once a year.	Should be surveyed annually.	A Register had being maintained for the buildings and the surveying of the lands are being carried out.
(f) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
i. F.R. 371 (c)	1,675,050	The Advances given should be settled right after the tasks completed but it had not been done.	Advances should be settled after the tasks completed.	Actions would be taken to find out about the Arrears continuously coming over 10 years.
ii. F.R. 571(1) and (2)	9,356,509	Actions had not been taken about the expired deposits.	Actions should be taken according to the Financial Regulations.	Actions would be taken to find out about the expired deposits.

(g) Public Administration Circular No.2016/30 on 29 December 2016 Section 3.1

The Fuel Consumption of 31 vehicles had not been checked. The Fuel Consumption should be checked annually. The Fuel Consumption had been checked in 06 vehicles and inspections on other vehicles are being carried out.

(h) Gazette No.2049 of Democratic Socialist Republic of Sri Lanka on 08 December 2017

Even though it had been decide to charge Rs.750 for Parking a Three Wheeler, it had not been taken action accordingly. The Charges for Three Wheeler should be collected. The Three Wheeler parks are being recognized and after that actions would be taken to register them.

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.58,834,435 as compared with the excess of the revenue over recurrent expenditure of the preceding year amounting to Rs.65,254,035.

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	25,631,310	31,760,665	18,422,124	26,544,049	2,232,500	29,178,683	18,107,118	21,961,625	
(ii) Rent	2,151,108	7,045,713	6,716,140	3,645,828	10,135,500	3,069,708	2,750,493	3,672,980	
(iii) Licence Fees	350,000	625,200	573,700	51,500	475,500	5,304,320	5,304,320	-	
(iv) Other Revenue	70,425,500	63,500,000	79,174,655	60,468,348	67,461,500	61,000,000	65,205,657	70,379,045	

2.2.2 Rates and Taxes

Audit Observations

The rates billed for the year 2018 had been Rs.29,359,835 but it had not been recovered Rs.13,210,735, 45 per cent, out of that amount as at 31 December 2018

Recommendations

Actions should be taken to recover the balance rates in arrears.

Comments of the Accounting Officer

The rates in arrears had been recovered Rs.4,967,988 as at 10 July 2019 and Mobile Service would be hold to recover the rest of the amount.

2.2.3 Stall Rent

Audit Observations

The Balance Stall Rent as at 01 January 2018 had been Rs. 3,722,005 but 88 per cent of that amount, Rs.3,316,255 had not been collected at the end of the year. Action had not been taken to collect the rent from Keselwatta Police Station of Rs.2,436,613 and Rent from 13 Stalls of Rs.912,900 in this rent in arrears balance.

Recommendations

Actions should be taken to recover the arrears rent.

Comments of the Accounting Officer

The actions had been taken to sue, to recover the arrears rent but the lawsuit had been kept on hold because the lack of material and the actions had being taken to remove the arrears could not be recovered.

2.2.4 Court Fines and Stamp Duty

Audit Observations

i. Court Fines

The Court Fines of Rs.5,716,191 that should be recovered but no any money had been received during the year.

Recommendations

Action should be taken to recover the Court Fines.

Comments of the Accounting Officer

The Subsidiary Registers had been made from the year 2015 and sent to the Provincial Commissioner of Revenue.

ii. Stamp Duty

A sum of Rs.128,151,305 should be received as Stamp Duty for the year 2018 but it had been received only Rs.59,566,648 from the last year Stamp Duty and Rs.15,000,000 advance.

Action should be taken to recover the Stamp Duty.

The way Stamp Duty received under each land Registration Offices had been shown.

3. Operating Review

3.1 Performance

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
<p>(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.</p>	<p>Action should be taken to allocate necessary by-laws on the matters that had not been considered.</p>	<p>Actions would be taken to forward suggestions about by laws to the Sabha in the future.</p>
<p>(b) <u>Action Plan</u></p> <p>i. Even though according to the Section 3 (c) of the State Finance Circular No.01/2014 on 17 February 2014 the Action plan should be made giving the priority based on the Annual Budget, a Rs.152.2 million provision had been made which had not been included in the Budget.</p>	<p>An action plan should be made according to the annual budget.</p>	<p>Action Plan would be made in the future with correcting the short comings of the Annual Budget and Action Plan.</p>
<p>ii. Even though it had been planned to do 124 activities in 07 identifies sections in the Action Plan 2018, it had not been correctly identified a imprest plan or a time frame for any activity other than the construction of roads.</p>	<p>An imprest Plan and a Time Frame should be decided for all the projects.</p>	<p>The Action Plan according to the Circular would be forwarded with the provisions included for Common Administration and Management.</p>
<p>iii. 41 Projects included in the Annual Action Plan 2018 cost of Rs95.50 million had not been done during the year under review. Also Projects relevant to Rs.4.8 million of Rs.80 million of Projects included in the Action Plan on Road Developments in the Keselwatta Sub-office territory had been completed.</p>	<p>The Projects should be clearly recognized in the Action Plan.</p>	<p>The Actions could not be taken according to the Action Plan and the Actions had to be made out of the Action Plan according to the new Sabha.</p>

- iv. A Specific method of measuring the progress had not been used by the Sabha even though the performance of the annual action plan should be supervised and the performance should be accounted. The Progress of the action plan should be reported in writing. A method of supervision would be made in the future including expenditure separately.
- v. 47 projects cost of Rs.33.51 million had been done in the year 2018 out of the action plan by the Sabha Funds without allocating the provisions in the Annual Budget. The projects should be done according to the Action Plan made under the provisions allocated by the Annual Budget. Projects in the Action Plan could not be completed because a new Sabha had been appointed and New Projects had been done according to the suggestions of the members of the Sabha.

(c) Targets of Sustainable Development

Sabha had not given consideration on the 03 Strategies introduced by the Department of Budget by the Department of Budget Circular No.BD/CBP/4/1/2-2018 on 31 July 2017 when making the Budget Estimation and Sabha had not been followed a process of collecting data from all the parties on identified indices. Actions should be taken to identify and consider the Targets of Sustainable Development and Indices. A plan had been made under the advices of the Ministry of Local Government from 2019 to 2023 and it would be worked out form the year 2019.

3.2 Human Resources Management

Audit Observations

Recommendations

Comments of the Accounting Officer

- a) 36 vacancies of 12 posts and 24 on the substitute basis and 02 on contract basis had been recruited. Actions should be taken to regulate the excess and fill the vacancies and the recruitment should not be done on substitutes and contract bases. A request had been sent to the Department of local Authorities on 21 employees for the vacancies.
- b) Actions had not been taken to recover the Loan Balance of Rs.1.031,938 20 officers diseased, retired, and transferred as at 31 December 2018. The arrears loan balance should be recovered. Actions would be taken to recover the loan balances.

- c) A Driver transferred from the Colombo Municipal Council in the year 2015, Rs.1,220,585 extra cost had been expensed on his salary up to May 2018 even though he does not work in the Sabha. The Salary should be reimbursed because he had not been served in the Sabha duties. The Driver that had been transferred to the Sabha had been attached to the Chief Minister Office under salary paid basis. And now he is not serving for the Sabha and released to the Moratuwa Municipal Council.

3.3 Operating Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
Even though the service and repairs of the Street lamps of the Keselwatta Sub-office Territory had been done by the Sabha, it had been paid Rs.766,722 to Lanka Electricity (Private) Limited to turn them on from January to October 2017.	Because of the maintenance done by the Sabha the payments should not be made.	Even though the maintenance had being done by the Sabha the payments on electricity had been agreed to be paid.

3.4 Assets Management

Audit Observations	Recommendations	Comments of the Accounting Officer
A Register had not been made on all the Lands and Buildings after a proper survey.	Sabha should be carried out a Survey and entered them in the Fixed Assets register.	The Details about all the Lands had being collected by the Sub-office level.

3.5 Contract Administration

Audit Observations	Recommendations	Comments of the Accounting Officer
a) Payments had been made of Rs.3,433,875 before making designs and obtaining the acceptance on 04 Roads that should be developed laying tar and concrete	The designs of the constructions should be made and accepted before making the budget estimates.	A basic Outline is being made. The places where filled ABC would not be recognized and it would be recognized in the future. The designs mistakenly not signed and it would be corrected in the future.

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| b) Sabha had been paid Rs.3,745,795 before checking the thickness and the compressive strength according to the Department of Local Government Circular No.LGD/03/2018 on 30 June 2018 for 05 developed roads. | Actions should be taken according to the Circulars. | Even though the circular had been issued it had been delayed to aware about it. And these road estimates had been made before the Circular had been issued. |
| c) Contrary to the description of works in the preliminary estimates Payments had been made on higher rates for ABC purchases on 06 projects of Rs.243,933 to the Contracts Unions. | The payments for the ABC purchases should be done according to the description of works in the preliminary estimates. | It had been agreed to pay a rate of Rs.3,194 after a discussion with the Technical Officers because the ABC supplies had been difficult at the rate of Rs.2,163. |
| d) For laying concrete and developing of roads in 02 projects had been paid for 6.05 cubic meters excess the estimated cubic meters of concrete of Rs.95,763 to the contract union. | The payments made excess the estimates should be charged. | The width of the road had been made increased under a request of members and an acceptance had not been obtained. Actions would be taken to correct in the future. |
| e) Even though the payments for 03 road had been given of Rs.2,298,689 the surface of the road had been rocky and low quality. | The Cash in Hand should not be released till the contract unions complete the road correctly. | The constructions had been caught by the rain when they had been under construction and inform that they would be remade by the contractor. |

4. Accountability and Good Governance

Audit Observations not Resolved

Audit Observation	Recommendation	Comments of the Accounting Officer
Actions had not been taken to resolve the matter 2.2.1 (e),(f) and (g) of the audit report 2017.	Actions should be taken to correct.	Actions would be taken to correct in the year 2019.