

Aagarapathana pradeshiya sabha
Nuwara Eliya District

1. Financial Statements

1.1 Presentation of The Financial Statements

The financial statements of the year 2019 had been presented to the audit on the 28th of February 2020 and the summary report of the Auditor General and the descriptive management report regarding the financial statements had been presented to the Chairman on 19th June 2020.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the paragraph of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Aagarapathana Pradeshiya Sabha as at 31st of December 2019 and financial results of its operations for the year then ended.

1.3 The basis for a qualified opinion

(A) Accounting deficiencies

Audit observation

Recommendation

Accounting Officer's
Commentary

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|-------|--|-------------------------------|--------------|
| (i) | The value of 05 lands and buildings owned by the council had not been identified and accounted. | Should be properly accounted. | No comments. |
| (ii) | The value of the Rs. 462,880 three wheeler and the value of Rs. 279,300 hand carts had not been taken into account. | Should be properly accounted. | No comments. |
| (iii) | Although the fixed asset balance should be the same as the income contribution account balance to the capital application, there was a difference of Rs. 1,162,194 between the two balances as at 31st of December of the year under review. | Should be properly accounted. | No comments. |
| (iv) | Courts' fines for the period from March to December of the year under review had not been identified and accounted. | Should be properly accounted. | No comments. |

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|------|---|-------------------------------|--------------|
| (v) | The loan balance of Rs. 152,129 had been credited to the accumulated fund account of a transferred officer. | Should be properly accounted. | No comments. |
| (vi) | Provisions were not made in the accounts for the audit fees for the year under review. | Should be properly accounted. | No comments. |

(B) Un-Reconciled Accounts

Audit observation	Recommendation	Accounting Officer's Commentary
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There was a difference of Rs. 238,274 between the balances shown in the financial statements and the relevant utility documents pertaining to the three accounts.	Utility documents and control accounts should be balanced in timely.	No comments.

(C) Lack of written evidence required for the audit

Failure to submit information to the Audit

Audit observation	Recommendation	Accounting Officer's Commentary
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No confirmation evidence was presented relating to 05 account subjects valued at Rs. 12,810,629.	Arrangements should be made to prepare deeds for the property and update the documents.	No comments.

1.4 Non-compliance

1.4.1 Non-compliance with laws, rules, regulations and management decisions

References to rules and regulations and management decisions	Non-compliance	Recommendation	Accounting Officer 's Commentary
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(a) Section 16 (2) of the National Audit Act No. 19 of 2018	No performance report was submitted with the annual financial statements.	Should be presented a performance report.	No comments.

(b) Stamp Duty Act No. 12 of 2006	Stamp duty collected during the period from April 2018 to December 2019 had not been remitted to the Commissioner of Inland Revenue.	Action should be taken to remit taxes in accordance with the relevant laws.	The tax was not remitted because not registered for Stamp Duty with the Inland Revenue Department and an application has been made for registration.
(c) Nation Building Tax Act No. 09 of 2009	The Nation Building Tax collected by the Council from April 2018 to December 2019 had not been remitted.	Action should be taken to remit taxes in accordance with the relevant laws.	The tax was not remitted because not registered for Nation Building tax with the Inland Revenue Department and an application has been made for registration.
(d) 1988 Pradeshiya Sabha (Finance and Administration) Rules 218	There was no annual survey of land and buildings.	Relevant survey must be done.	Relevant surveys will conduct in the up-coming years.
(e) Circular No. 1988/22 of the Commissioner of Local Government dated 17 th May 1988	Property valuation in assessment areas should be done every five years, but assessment property has not been revaluated since 2008.	The provisions of the relevant circular should be followed.	The Agarapathana Pradeshiya Sabha has been in operation since 20.03.2018 and due to lack of adequate staff, shortcomings have occurred and a request has been made to the Chief Assessor to conduct a new assessment.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of expenditure over recurrent income for the year ending 31st of December 2019 amounted to Rs.1,504,768 as compared with the corresponding excess of expenditure over recurrent income for the preceding 9 months amounted to Rs.4,965,288.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, collected Income and arrears Income

Details of Estimated Revenue, Billed Income, collected Revenue and Arrears of Revenue for the year ended 31st of December 2019 of the sabha as follows.

Source of income	2019				2018			
	Estimated Income	Billed income	Income collected	Total arrears as of December 31 st	Estimated Income	billed income	Income collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rent and Taxes	6,879,217	3,108,701	3,126,273	1,692,840	1,036,075	1,203,694	1,210,963	750,350
Rent	228,000	14,285	17,608	16,260	90,000	25,545	22,840	14,782
License fee	2,470,000	2,103,130	2,103,130	-	1,280,000	1,106,560	31,910	-
Other Income	3,101,000	1,519,065	2,481,271	793,183	5,531,600	992,044	782,588	719,088
Total	12,678,217	6,745,181	7,728,282	2,502,283	7,937,675	3,327,843	2,048,301	1,484,220

2.2.2 Performance of revenue collection

(A) Assessment tax

Audit observation

Due to the assessment tax deficit of Rs.892,938 as on 1st of January 2019, the recovery during the year was 34% and the billed assessment tax revenue collected during the year was 40%.

Recommendation

Recovery of arrears of revenue by acting in terms of the provisions of the Pradeshiya Sabha act.

Accounting Officer's Commentary

No comments.

(B) Water Fees

Audit observation

Recommendation

Accounting Officer's
Commentary

Out of 11 active water projects under the Council, the arrears as on 31st of December 2019 were Rs. 486,750. There are 46 water consumers with water arrears of over Rs. 2000 which have not been disconnected so far and the arrears due from them as on 31st of December 2019 is Rs. 155,316.

Recovery of arrears of revenue by acting in terms of the provisions of the Pradeshiya Sabha act.

Red notices have been issued for a deficit of Rs. 49,029 and a revenue of Rs. 41,440 has been collected.

(C) Court fine and Stamp fees

Audit observation

Recommendation

Accounting Officer's
Commentary

Court fines were Rs.397,683 and land transfer stamp duty of Rs.393,500 should be received.

Action should be taken to recover the relevant money.

No comments.

3. Operational review

3.1 Performance

Followings are the observations on the performance of the functions of the Council under the provisions of Section 3 of the Pradeshiya Sabha Act, the regulation and control of public health, public utility services and public roads, the welfare, convenience and welfare of the public.

(A) Action Plan

Audit observation

Recommendation

Accounting Officer's
Commentary

The Sabha had not prepared an action plan for the year under review.

Action needs to be taken to present an action plan.

An action plan has been prepared for the year 2020.

(B) The abandoned tasks

Audit observation

Recommendation

Accounting Officer's
Commentary

An amount of Rs. 616,770 has been provided for the construction of a toilet in Nagasena town under Special Needs Village Development Program in 2019 and paid Rs. 123,354 as an advance for the start works in project. But the project was abandoned due to a land ownership issue and the cost was in vain.

Problems should be solved and projects should be started.

As soon as the land issue is properly resolved, will take actions to carry out the remaining construction work from the Sabha fund.

(C) Solid waste management

Audit observation

Recommendation

Accounting Officer's
Commentary

Garbage collected in the Pradeshiya Sabha area was being dumped into the Mahaweli River.

Efforts should be made to manage waste in a manner that does not harm the environment in a proper manner.

Garbage disposal site have been closed using soiled after identified by the audit and employees have been warned not to do so again.

(E) Sustainable Development Goals

Audit observation

Recommendation

Accounting Officer's
Commentary

While the Pradeshiya Sabha had not adequately aware about Sustainable development objectives and targets and the specific tasks in this regard had not done in the year under review.

Actions should be taken to formulate plans to achieve sustainable development goals and objectives.

No comments.

3.2 Management Inefficient

Audit observation	Recommendation	Accounting Officer's Commentary
<p>(A). During the year 2019, contributions to the Public Service Provident Fund had not been paid on behalf of 5 employees who had served in the sabha and Rs. 177,690 had been allocated in the deposit account to be paid to the Employees Provident Fund and the Employees' Trust Fund.</p>	<p>Action should be taken to comply with the provisions of the relevant circular.</p>	<p>As the relevant employees were not registered in those funds and therefore contributions were not remitted and the relevant applications for registration have been submitted so far.</p>
<p>(B). Although Gazette Notification No. 2096 dated 2nd of November 2019 stated that charges would be levied for the construction of telephone towers, construction of radio and television broadcasting towers and renewal of such licenses, no charges were levied on the transmission towers installed in the sabha area.</p>	<p>By-laws should be enacted to recover the relevant revenue.</p>	<p>I will take action to obtain information of the institutions that had built the relevant towers and charge fees.</p>
<p>(C). Although the relevant contractors had not paid the Nuwara Eliya Pradeshiya Sabha to carry out quality inspections on the concrete road constructions, Aagarapathana Pradeshiya sabha had paid Rs. 35,000 to the contractors to carry out quality inspections on 02 concrete roads.</p>	<p>Payments should be made with the required confirmations.</p>	<p>The societies have instructed the contractor to submit the relevant receipts if they have paid to the engineer office at Kandy.</p>

3.3 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
<p>71 vacancies in 18 posts had not been filled.</p>	<p>Taking action to fill the vacancies.</p>	<p>No comments.</p>

3.4 Operation Inefficient.

Utilization of Vehicles

Audit observation

Recommendation

Accounting Officer's
Commentary

A not functioned 4-wheel tractor and trailer remained idle.

Action should be taken to repair and utilized.

Provided to Walapane Pradeshiya Sabha on the instructions of the Assistant Commissioner of Local Government on service requirements.

3.5 Asset Management

Inactive / Underutilised Asset

Audit observation

Recommendation

Accounting Officer's
Commentary

Although it was expected to establish the Ayurveda and Library of the Sabha in the building in Meraya town, but building remained inactive till 9th of January 2020 without installing the Ayurveda and Library.

Ayurveda and the library should be started as soon as possible.

Due to the lack of a permanent Ayurvedic Medical Officer for the Council and the vacancy in the post of Drugs Dispenser, Ayurveda could not be started. The library could not be started due to lack of a library assistant.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit observation

Recommendation

Accounting Officer's
Commentary

(A) According to the budget prepared for the year under review, the expenditure of 02 subjects had exceeded the estimate and no action had been taken to approve the

Must comply with financial and administrative rules.

No comments.

supplementary estimates for such expenditure in accordance with the rules and regulations of the Pradeshiya Sabha 14.

(B) No statement of explanation was made as to the changes made between the budgeted financial allocations and the actual revenue and expenditure under the Pradeshiya Sabha Finance and Administration Rules 193 of 1988.

Must comply with financial and administrative rules. No comments.

4.2 Internal Audit

----- Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
Adequate internal audit was not carried out during the year under review.	Adequate internal audit should be done.	No comments.