

**Kandaketiya Pradeshiya Sabha
Badulla 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 06 March 2020, the summary report of the Auditor General on those financial statements and the detailed management report had been forwarded to the chairman on 30 June 2020 and 22 July 2020 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 Kandaketiya Pradeshiya Sabha as at 31 December 2019, and its financial performance for the year then 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
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(i) Stamp fees, lease payments of weekly fair, water charges and shop rent had been understated by Rs.1,645,548 because revenue of the year under review had been accounted in cash basis.	It should be accounted correctly.	Action will be taken to correct.
(ii) Although the court fines for the year under review had been Rs. 2,100,745, It had been overstated by Rs. 1,152,141 as Rs. 3,252,886 due to accounting on cash basis.	It should be accounted correctly.	Action will be taken to correct.
(iii) Interest receivable amounting to Rs. 444,563 for two fixed deposits had not been accounted in the year under review.	It should be accounted correctly.	Action will be taken to correct.
(iv) Fixed deposit interest amounting to Rs. 290,395 of the preceding year had not been accounted.	It should be accounted correctly.	Action will be taken to correct.
(v) Although the cash & cash equivalents as at 31 December of the year under review had been Rs. 2,931,319 ,It had been overstated by Rs. 1,650,753 as Rs. 4,582,072.	It should be accounted correctly.	Action will be taken to correct.

(vi)	As at 31 December 2019, Work done amount of Rs. 3,402,608 of the construction of weekly fair building had not been accounted.	It should be accounted correctly.	Action will be taken to correct.
(vii)	Although the creditors as at 31 December of the year under review had been Rs. 4,909,848, It had been overstated by Rs. 1,479,651 as Rs. 6,389,499.	It should be accounted correctly.	Action will be taken to correct.
(viii)	As at 31 December of the year under review, Payable deposits amounting to Rs. 2,427,809 had not been stated in liabilities.	It should be accounted correctly.	Action will be taken to correct.

b) Lack of evidence for Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- Title deeds, schedules and assessment reports relating to Land & Building amounting to Rs. 53,416,999 had not been presented to the audit.	----- Required evidence should be presented for the verification.	----- Requests have been made for acquisition of lands.

1.4 Non compliance

Non compliance with laws, rules, regulations and management decisions.

Reference to laws, rules regulations and management decisions	Non compliance	Recommendation	Comments of the Accounting Officer
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(a) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
(i) Financial Regulation 104	The final report of an accident tractor which had been faced the accident on 6 May 2019, had not been presented.	Action should be taken in accordance with Financial Regulations.	Relevant actions are going on.

(ii)	Financial Regulation 571(2)	07 contract payment retentions amounting to Rs. 268,047 that had elapsed more than 2 years had not been discharged.	Action should be taken in accordance with Financial Regulations.	Action will be taken to discharge.
(b)	Pradeshia Sabha Regulations(Finance and Administration) 1988 – Regulation 180	Securities had not been obtained from officers required to give security.	Action should be taken in accordance with regulations.	Action will be taken to obtain security.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 has been Rs. 2,415,761 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 2,247,092.

2.2 Revenue Administration

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

Presented information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue for the year under review and the preceding year are as follows.

Source of Revenue	Estimated Revenue	2019			Arrears as at 31December	2018			Arrears as at 31December
		Revenue Billed	Revenue collected	Arrears as at 31December		Estimated Revenue	Revenue Billed	Revenue collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
I Rates and Taxes	1,803,740	5,140,940	1,601,077	380,186	3,276,501	3,375,500	4,135,141	692,717	
II Rent	3,475,561	169,200	1,706,475	43,150	769,200	769,200	136,400	43,150	
II License Fee	661,000	497,150	497,150	-	848,000	556,450	556,450	-	
I Other Revenue	456,000	465,679	465,679	-	130,000	130,000	540,787	2,715,700	
V Total	6,396,301	6,272,969	4,270,381	423,336	5,023,701	4,831,150	5,368,778	3,451,567	

2.2.2 Performance in Revenue Collection

Audit observation	Recommendation	Comments of the Accounting Officer
----- Arrears of revenue amounting to Rs. 3,031,815 that had elapsed more than two yearshad not been recovered.	----- Arrears of revenue should be recovered.	----- Action will be taken to recover arrears and write off water charges.

2.2.3 Court Fines and Stamp Fees

Audit observation	Recommendation	Comments of the Accounting Officer
----- Arrears of Court fines amounting to Rs. 4,269,512 and arrears of Stamp fees amounting to Rs. 1,206,665 due as at 31 December of the year under review had not been recovered.	----- Arrears of Court fines and arrears of Stamp fees should be recovered.	----- Action will be taken to recover arrears.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities and welfare.

(a) Action Plan

Audit observation	Recommendation	Comments of the Accounting Officer
----- Action plan had not been prepared for the year under review.	----- Action plan should be prepared.	----- It has been prepared for the year 2020.

(b) Sustainable Development Goals

Audit observation	Recommendation	Comments of the Accounting Officer
----- Although there was awareness with regard to “Sustainable Development Agenda-2030” of the United nations, Indexes for measuring sustainable objectives and goals which could be applied to the Sabha had not been identified.	----- Indexes for measuring sustainable objectives and goals should be identified, and progress in reaching those should be measured accordingly.	----- Action will be taken in the future.

3.2 Management Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
(a) The arrears of rent amounting to Rs. 72,600 of three shops for the year under review had not been recovered.	The arrears of rent should be recovered.	Relevant parties have been informed. Action will be taken legally.
(b) Action had not been taken in order to obtain the ownership of the land where a building was located using as a store of the Sabha.	Action should be taken to obtain the ownership of the land.	Requests have been made to the Deputy land commissioner.
(c) Creditors amounting to Rs. 9,215,967 that had elapsed more than two years had not been settled.	Action should be taken to settle.	Action will be taken to settle.

3.3 Human Resource Management

Audit observation	Recommendation	Comments of the Accounting Officer
13 vacancies of 7 positions had not been filled as at 31 December of the year under review.	Essential vacancies should be filled.	Department of local governments has been informed, but action had not been taken to fill yet.

3.3 Operational Inefficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
(a) A double cab of the Sabha had been idle for 10 years.	Necessary action should be taken regarding idle assets.	Action will be taken to repair by following formal procedures.
(b) According to the government procurement guidelines, the performance bond of 5 percent of the agreement value of Rs. 3,208,707 of construction of Kandekatiya weekly fair building had been obtained Rs. 179,794 less, and Rs. 83,490 had been overpaid for two works of the construction, when comparing with work done.	Action should be taken in accordance with the government procurement guidelines and overpaid amount should be recovered.	This has been a mistake of the officers worked in that period, and overpayment will be recovered paying retention.

3.4 Annual Procurement Plan

Audit observation	Recommendation	Comments of the Accounting Officer
----- A Procurement plan had not been prepared for the year under review.	----- A Procurement plan should be prepared.	----- Action will be taken to prepare in the future.

4 Accountability and Good Governance

4.1 Audit and Management Committee

Audit observation	Recommendation	Comments of the Accounting Officer
----- Audit and Management Committee meetings had not been held in the year under review.	----- Audit and Management Committee meetings should be held at least once in a quarter.	----- Audit and Management Committee has not met.

4.2 Internal Audit

Audit observation	Recommendation	Comments of the Accounting Officer
----- An internal audit had not been conducted in the year under review.	----- An internal audit should be conducted.	----- An internal audit will be conducted in this year.