

Pallepola Pradeshiya Sabha

Matale District

1 Financial Statements

1.1 Presentation of the Financial Statements

The Financial Statements for the year 2019 were submitted to the Audit on 29 March 2020 and the Auditor General's Summary Report and Detailed Management Audit Report on those financial statements were sent to the Chairman on 31 May 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 section 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 financial position of the Pallepola Pradeshiya Sabha as at 31 December 2019 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion

1.3.1 Accounting Deficiencies

Audit Observation	Recommendation	Accounting Officer's Commentary
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(a) The interest for the year which was for the balance of Rs. 48,975 held in the Investment Account of the Urban Development Authority had not been accounted.	Interest income must be properly accounted for.	I will take action to correct when the 2020 final account preparation.
(b) An amount of Rs. 1,142,635 which should to be received for two development projects had not been accounted for by the last day of the year under review.	Action should be taken to account.	I will take actions to correct it in 2020.
(c) The amount of Rs. 625,048 spent from the Sabha fund for the construction of a tube well had been accounted for under the creditors.	Action should be taken to correct the account balances.	I will take action to correct the relevant error in the year 2020.

(d)	Buildings worth Rs. 115,540,507 were not included in the register of fixed assets.	Action should be taken to document the fixed assets.	I will obtain the valuation from the Valuation Department and include it in the list of fixed assets.
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1.3.2 Non reconciled control accounts

Audit observation

Recommendation

Accounting Officer's
Commentary

There was a discrepancy of Rs. 1,868,441 between the total balances of the two subjects amounting to Rs.56,059,395 on the financial statements and their balances of the relevant utility documents and reports.

Inequalities should be identified and corrected.

These changes are due to omissions from sub-documents and inclusion of adjustments made in journal entries.

1.3.3 Accounts Receivable and Payable

Audit observation

Recommendation

Accounting Officer's
Commentary

(a)Accounts Receivable

The total balance due for more than 5 years was amounting to Rs. 19,051.

Deficit income and receivables are should be recovered.

I accept the observation. I will take action to recover the relevant arrears in the future.

(b) Accounts Payable

The total balance of payments for a period of 1 to 5 years was amounting to Rs.724,119.

Action should be taken to make an account based on the information identified specifically and to pay the dues.

I will take a decision of the Sabha to deduct the money in the future as the unpaid and indebted works have not been completed.

1.3.4 Lack of written evidence required for the audit

 Non submission of the information

Audit observation	Recommendation	Accounting Officer's Commentary
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The required information for 03 account subjects amounting to Rs. 21,163,390 had not been submitted for audit.	Schedules related to account balances should be prepared.	Inventory documents, installation documents and asset documents

1. 4 Non-compliance

 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) Pradeshiya Sabha Act No. 15 of 1987 Section 78 (1)	It had not prosecute food samples at shops in the area and take legal action against the perpetrators.	Reports should be obtained expeditiously and the provisions of the Act should be followed	Food samples are sent to the Anuradhapura Quality Control Unit and due to delays in those reports, no case could be filed.
(b) Urban Development Authority Act No. 41 of 1978 Section 21	Out of 369 building applications submitted during the last 4 years, 202 were approved and only 27 certificates of conformity were issued.	Certificates of Conformity should be issued and follow up should be done on applications that have not been approved.	I will inform the relevant applicants and take further action.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 571 (3)	A sum of Rs. 281,103 was kept in the deposit account for 4 occasions without settlement.	Disposable deposits should be settled promptly.	I would like to inform you that the Finance Committee has decided to credit the revenue.

- (d) Section 3.1 of the Circular of the Secretary to the Ministry of Public Administration and Management No. 30/2016 dated 29th December 2016
- Fuel combustion test of 4 vehicles had not been carried out.
- Action should be taken according to the circular instructions.
- I will be doing fuel combustion tests next year.

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of expenditure over recurrent income for the year ending 31 December 2019 amounted to Rs.1,782, 172 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 22,422,916.

2.2 Revenue Administration

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

Details of estimated revenue, billed income, collected income and arrears of revenue for the year under review and the previous year are as follows.

Source of Income	2019				2018			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st	Estimated Revenue	Billed amount of revenue	Revenue collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates Taxes	850,000	1,119,404	830,011	289,393	882,000	1,113,177	896,750	216,427
(ii) Rent	9,648,000	1,584,004	1,596,929	124,937	4,336,000	235,400	138,100	137,862
(iii) Licences fees	510,000	683,885	675,885	8,000	800,000	670,870	671,870	-
(iv) other revenue	45,833,544	40,085,952	35,745,916	4,340,016	43,318,1101	51,519,394	31,839,269	19,680125
total	56,841,544	43,473,245	38,848,741	4,762,346	439,199,101	53,538,841	33,545,989	20,034,414

2.2.2 Shop Rent

Audit observation	Recommendation	Accounting Officer's Commentary
Four shops in the mall were closed in 2019 due to irregular tenders and the loss to the Sabha fund was Rs. 108,500.	Tenders should be issued soon and shops should be allotted.	I will take steps in the future to lease out shops through a formal tender.

2. 2. 3 Court fines and stamp fees

Audit observation	Recommendation	Accounting Officer's Commentary
An amount of Rs. 679,062 of court fines and an amount of Rs. 7,175, 103 of stamp fees had been remained to receive as at 31 December of the year under review from the chief Secretary of the Provincial Council and other Authorities.	Action should be taken to bring down the revenue due.	I would like to inform you that, court fines of Rs. 211,247 and stamp duty of Rs. 276,500 were received on 09 January 2020. I will try to recover the remaining amount.

3 Operational review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 3 of the pradeshiya sabha act.

(a) Failure to obtain the expected output level

Audit observation	Recommendation	Accounting Officer's Commentary
In the previous year, a hypothetical amount of Rs. 12,500,000 had been included in the budget estimate for 49 unplanned projects, out of which estimates for 24 projects had not been prepared.	Needs need to be identified and budgeted with care and due diligence, and planned from the beginning of the year.	priority had to be given to external allocations due to Sabha approval had not been received until 14 June 2019, and.

(b) Sustainable Development Goals

Audit observation	Recommendation	Accounting Officer's Commentary
According to the circular No. NP / SP / SDG / 17 dated 14th August 2017 of the Ministry of National Policies and Economic Affairs, the Sustainable Development Goals have not been identified and a plan has not been prepared.	Actions should be taken in accordance with circular instructions	The Sustainable Development Goals will be identified and are planned to be implemented from the year 2020.

3.2 Management Inefficiencies

Audit observation	Recommendation	Accounting Officer's Commentary
(a) According to the water sample test reports of water projects administered by the Sabha, its concentrations of coliform bacteria and E. coli were high.	Efforts should be made to distribute clean drinking water of proper quality.	Arrangements have been made to apply chlorine to water supply schemes and arrangements are being made to obtain a chlorinator in the future.

(b) There were no deeds or transfer orders to prove the legal ownership of 11 lands, 12 cemeteries and 2 public lands.	Action must be taken to acquire ownership.	Requests have been made from the relevant institutions. I will take action in this regard in the future.
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3.3 Human Resource Management

Audit observation

Recommendation

Accounting Officer's Commentary

A Human Resource Plan had not been prepared on the basis of 02 annexe mentioned in Public Administration Circular No. 02/2018 dated 24th January 2018 and performance agreements had not been signed.

Circular instructions should be followed.

Relevant activities are being carried out for the year 2020.

3.4 Operational Inefficiencies

Audit observation

Recommendation

Accounting Officer's Commentary

(a) 04 lands in the area had been subdivided and allowed for sale without the relevant approvals.

Must act legally.

I would like to inform you that the legally actions will be taken to recover the relevant taxes.

(b) Although 1% tax had been levied on the gross estimate of the lands sold after subdivided, action had not been taken to calculate and levy 1% tax on the value after sale in terms of Section 154 (1) of the Pradeshiya Sabha Act No. 15 of 1987.

Action should be taken to recover the tax due.

The sellers have been informed in writing to pay the balance due.

3.5 Assets Management

Idle/ Underutilized Assets

Audit observation	Recommendation	Accounting Officer's Commentary
(a) 02 machines worth of Rs. 16,861,440 and 4 vehicles belonging to the Sabha had been idle for more than 5 years.	Arrangements should be provide to an institution that can be used to be done.	Although the Ministry and Commissioner of Local Government had been informed to convert this machine to a water bowser, but so far no action has been taken.
(b) An old library building had been idle for 10 years and a community hall building for 3 years.	Buildings should be utilized effectively.	I will take action to develop and use the relevant building.
(c) The balance of Rs. 38,149 in a savings account of the People's Bank had been inactive since 2013.	Action must be taken to transfer to the current account.	I will take actions to transfer to the official current account next year.
(d) Two shops built at a cost of Rs. 1,075,637 in 2017 and 2018 had been closed down without any use.	Action must be taken to put it to effective use.	I will make arrangements to provide for business activities in the future.

3.6 Informal Transactions

Audit observation	Recommendation	Accounting Officer's Commentary
(a) An Environmental Protection Permit had not been obtained for a slaughter house which was maintained in the area of authority of the Sabha.	Supervision of officers should be properly maintained and an environmental permit should be obtained.	I will work to obtain an environmental protection license in the future.
(b) A creditors' value of Rs.3,478,136 had been deducted without formal approval.	Formal approval must be obtained for the deductions.	No comments.

3.7 Identified Losses

Audit observation	Recommendation	Accounting Officer's Commentary
The report of the investigation carried out under FR104 regarding the backhoe machine which had met with an accident in 2015 had not yet been obtained and action had not been taken to recover the loss of Rs. 669,648.	Reports should be obtained expeditiously and appropriate action should be taken.	Investigation reports have not yet been provided by the Chief Ministry.

3.8 Procurement

3.8.1 The procurement Plan

Audit observation	Recommendation	Accounting Officer's Commentary
According to 4.2.1 and 4.2.2 of the Procurement Guidelines, a master procurement plan and a detailed procurement plan including civil works, goods and other services had not been prepared. Although a procurement schedule had been prepared, purchases of Rs. 3,278,640 had been made extra from that.	Circulars and guidelines should be followed.	A plan has been prepared for the year 2020.

3.8.2 Contract Administration

Audit observation	Recommendation	Accounting Officer's Commentary
(a) It had make the concrete fence at both sides of the road which had interlocked by a concrete mixture of 1:2:4(20mm) which could be broken easily at a cost of Rs. 398,949 for the development of Millawana Pangolla Road Many places in the protective concrete wall were cracked and the boulders were not up to standard.	Those responsible who had took the actions as non-compliance with the standards should be identified.	While the rest of the I will ensure that such shortcomings do not occur in the future.
(b) The National Water Supply and Drainage Board had conducted a hydrogeological survey at a cost of Rs. 48,875 for the construction of a tube well for the Ariyagama Samagi Community Based Organization. Based on the survey report, the Board had constructed a tube well after paying Rs. 625,048 to the National Water Supply and Drainage Board. Later it was confirmed that there was not enough water capacity and a report was given that the project was a failure.	Accurate survey should be done to find water sources and construct.	The Water Resources Board has not conducted an accurate feasibility study. However, I would like to inform you that the payment is not in vain as the relevant payments have been made to a government agency.