

Kotikawaththa Mulleriyawa Pradeshiya Sabha
Colombo District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 11 March 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 11 September 2020 and 14 December 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in this report, the financial statements of the Kotikawaththa Mulleriyawa Pradeshiya Sabha give a true and fair view of the financial position 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

1.3.1 Accounting Deficiencies

<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
(a) The recurrent expenditure of Rs.598,000 incurred on maintenance of the Clock Tower at Ambatale junction in 2015 which had been debited to the Machine and Machinery Equipment Account had not been rectified.	Necessary rectification should be made.	The expenditure on maintenance of this clock tower built under the Gamudawa concept for the year 2015 had been erroneously entered in the Assets account. It Will be rectified in the final accounts of 2020.
(b) The sum of Rs.913,100 payable for dozing garbage, grinding the sand and construction of roads for the period 26 November 2019 to 31 December had not been brought to account.	Should be correctly brought to account.	Accepted. Will be rectified during the preparation of final accounts for 2020.
(c) The hire charges of Rs.792,000 of 2 tippers for the period 14 to 31 December 2019, had not been brought to account.	Should be correctly brought to account.	Accepted. Will be rectified during the preparation of final accounts for 2020.

- | | | | |
|-----|--|---|--|
| (d) | The allowable tax on value added tax received by the Sabha during the previous year and the year under review had not been adjusted to revenue, As a result, the value added tax payable had been overstated by Rs.206,946 and the surplus of the year and the accumulated fund had been understated by Rs.206,946 and Rs.75,039 respectively. | Should be correctly brought to account. | Accepted. Will be rectified during the preparation of final accounts for 2020. |
| (e) | The closing balance of the stock account of the year under review amounting to Rs.56,521,168 had been entered in the accounts as final stock without carrying out a physical stock verification. | Physical stock verification should be carried out and necessary adjustments made. | A physical verification of stock will be carried out and adjustments will be made in the accounts for submission with 2020 final accounts. |
| (f) | In order to correct the opening balance of the Machinery and Equipment Account Rs.44,050 had been debited to the respective assets account and credited to the Accumulated Fund Account instead of crediting the Revenue Contribution to Capital Outlay Account. | Action should be taken to correctly bring to account. | Accepted. Will be rectified during the preparation of final accounts for 2020. |
| (g) | There were total debit balances of Rs.52,126,242 in the Cash Book relating to 3 current accounts which deals with main transactions of the Sabha. However, the total of those balances had been shown as Rs.203,132,806 in the financial statements. | Necessary corrections should be made. | Accepted. Will be rectified during the preparation of final accounts for 2020. |
| (h) | The balance of Local Loans and Development Fund Account as at 31 December 2019 amounting to Rs.9,184,387 had been shown | Necessary correction should be made. | Action will be taken to correct errors. |

as Rs.9,736,651 in the financial statements.

- | | | | |
|-----|---|---|--|
| (i) | The sum of Rs.982,000 paid on behalf of the compactor from the stamp revenue had not been capitalized. | Should be correctly brought to account. | Accepted. Will be rectified while preparing the final accounts for 2020. |
| (j) | Payment of installments for the compactor for the previous year and the current year had been set off against court fines. This had not been brought to account and as such there were understatements in the Accumulated Fund Account, expenditure of the year and the court fines receivable by Rs.310,000, Rs.982,000 and Rs.1,292,000 respectively. | Should be correctly brought to account | Accepted. Will be rectified while preparing the final accounts for 2020. |
| (k) | The value of library books amounting Rs.162,194 deleted from books during the current year had been debited to the Accumulated Fund instead of Contribution from Revenue to Capital Outlay Account. | Necessary rectification should be made. | Accepted. Will be rectified while preparing the final accounts for 2020. |
| (l) | Stock of stores material valued at Rs.306,989 which were physically not in existence had been entered in the stock account. | Should be correctly brought to account. | Such stock of stores materials are not in existence. As such, rectification will be made in the accounts for 2020. |

1.3.2 Unreconciled Control Accounts

Audit Observation

A difference of Rs.157,212 was observed while reconciling the Stall Rent account and Sundry Deposits accounts with the related schedules.

Recommendation

The related balances should be reconciled and accounts rectified accordingly.

Comments of the Accounting Officer

Action will be taken to enter the correct balance in the accounts and to rectify errors.

1.3.3 Lack of Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Documentary evidence had not been furnished for 4 items of accounts totally valued at Rs.55,933,798.	Action should be taken to furnish necessary documentary evidence.	This relates to 2003. It is kindly informed that it is unable to furnish adequate information relating to these values.

1.4 Non – Compliance

1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non compliance	Recommendation	Comments of the Accounting Officer
	Rs.			
(a) Section 127 of Pradeshiya Sabha Act No.15 of 1987.	-	Action had not been taken to acquire 05 crematoriums established within the authoritative area of the Sabha.	Action should be taken by the Sabha for acquisition of crematoriums.	Boundaries of 5 crematoriums of the Sabha had been determined. The Divisional Secretary's approval for acquisition will be obtained and immediate action would be taken to acquire them and issue gazette notifications.
(b) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka.	3,211,549	Action had not been taken regarding deposits of Rs.118,263 over 02 years.	Action should be taken in terms of the financial regulation.	Unpaid salaries will be credited to revenue of the Sabha.
Other Circulars State Accounts Circular No. 3/2015	600,000	Maximum ad-hoc Imprest of Rs.100,000 could	Ad-hoc imprests should only be paid to executive	Action will be taken to issue ad-hoc imprests to executive

only be paid to officers. officers as far as possible.
 Executive Officers for special purposes.
 However, imprests at the rate of Rs.100,00 had been paid to 4 non-executive officers on 6 instances.

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 2019 amounted to Rs.79,372,839 as compared with the excess of revenue over recurrent expenditure of the previous year amounting to Rs.96,343,250.

2.2 Financial Control

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) According to the details in the bank reconciliation to the People's bank account No.098-1-001-8-3913967 there were unrealized deposits of Rs.202,518 which continued for over 10 years.	Unrealized deposits should be identified and suitable action taken accordingly.	There is no possibility to find out the unrealized deposits of Rs.202,518 which exists from 2005. As such, action will be taken by obtaining instructions from the Commissioner of Local Government.
(b) The balance of Rs.142,763 in the dishonored cheques account had not been settled even by end of the year.	Dishonored cheques should be settled.	Will be rectified in the final accounts 2020.
(c) A dormant balance of Rs.47,533 was in existence for a long time in the old current account of People's Bank.	Dormant account should be closed.	Action will be taken to remove this value in the financial statements.

2.3 Revenue Administration

2.3.1 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	2019			Total Arrears as at 31 December	Estimated Revenue	2018		Total Arrears as at 31 December
	Estimated Revenue	Revenue billed	Revenue collected			Revenue billed	Revenue collected	
	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
(i) Rates and Taxes	59,438	46,223	52,151	43,132	53,472	46,575	49,929	43,972
(ii) Rent	4,235	6,102	10,901	3,352	11,943	3,154	606	3,524
(iii) Licence Fees	1,020	1,220	1,220	-	1,072	697	697	-
(iv) Other Revenue	-	78,928	78,928	-	-	97,406	97,406	-
Total	64,693	132,473	143,200	46,484	66,187	147,832	148,638	47,496

2.3.2 Rates and Taxes

Audit Observation

Out of the rates and taxes recovered during the year under review, 41 per cent represented the arrears of recovery and 56 per cent represented the current recovery. The balance as at end of the year amounted to Rs.43 million.

Recommendation

Action should be taken to recover arrears of rates.

Comments of the Accounting Officer

Accepted. Action will be taken to recover the arrears.

2.3.3 Stall Rent

Audit Observation

The arrears of stall rent due from 8 stalls at the old market and 108 stalls of 5 trade complexes as at 31 December 2019 amounted to Rs.3,410,564, The arrears of rent due from 11 stalls which had not

Recommendation

Arrears of stall rent should be recovered without delay.

Comments of the Accounting Officer

The correct balance of arrears of the head office and the sub office is Rs.4,016,906. This balance is not in par with the accounts. The error caused while billing the annual stall

paid any rent during the current year amounted to Rs.730,185.

rent is the cause of this. Will be rectified during the preparation of final accounts in 2020.

2.3.4 Court Fines

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The Sabha has not recovered any court fines during the past 05 years. The court fines due as at end of the year under review amounted to Rs.24,000,000.	Action should be taken to recover without delay.	The court fines due to the Sabha during the past years had been examined and had been referred to the Colombo Magistrate Court for re-examination. The said report had not been examined and returned to the Sabha.

3. Operating Review

3.1 Performance

Matters observed regarding functions to be fulfilled by the Sabha with regard to regularization and control of public health, utility services and public highways, health facilities and welfare of the public as required by Section 3 of the Pradeshiya Sabha Act appear below.

(a) Functions Abandoned

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The development work 09 lanes proposed to be carried out at an estimated value of Rs.3,706,236 had been abandoned.	Should act according to the Action Plan.	NO Comments.

(b) Solid Waste Material Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The Sabha had maintained a compost division. However, it was not adequate to compost the overall garbage of the	Action should be taken to enlarge facilities of the Solid Waste Material Management.	Lack of space facilities in the Sabha to enlarge the compost division has become a problem. Action will be taken to plan a

authoritative area of the Sabha. As such, the waste material division had not been enlarged or a technical method had not been adopted to produce Bio-gas by using the garbage.

proper method in future with the assistance of the private sector to explore possibilities of producing bio-gas by utilizing the degradable garbage.

3.2 Human Resources Development

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There were 11 vacancies in the approved cadre as at 31 December 2019.	Essential cadre should be filled.	No comments.
(b) No recoveries, whatsoever had been made out of the loan balances of Rs.237,442 due from 02 employees who had been suspended from service.	Action should be taken to recover the arrears of loans.	Legal action had been taken to recover RS.108,250 from Mr.D.C.P.Haththotuwa who had been suspended on disciplinary grounds and Rs.129,492 from Mr.M.V.D.Vijitha who had vacated post.

3.3 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Extensive land of 02 acres and 18 perches obtained by the Sabha for common amenities had been given for usage as playground of the Malabe Model Boys School on 30 June 2016 for a period of one year based on a memorandum of understanding. Although 02 years had elapsed since the expiry of the agreement, action had not been taken to receive it back.	This property should be vested with the Sabha.	The playground had been given to the college for sports activities for one year as per memorandum of understanding of 2016. However, the land had not been returned. An effort was made to survey it and develop it as the property of the Sabha. But, it failed due to protests made by the college.

3.4 Idle and under utilized Assets

Audit Observation

Three cabs totally valued at Rs.5,850,000, 04 tractors and a tractor, the value of which could not be traced were getting corroded in the premises of the Sub office of the Pradeshiya Sabha. Action had not been taken to dispose/ repair and make use of these vehicles.

Recommendation

Necessary action should be taken for repairs / disposal.

Comments of the Accounting Officer

It had been recommended to offer 03 cabs to government institutions on request made by them and the tractor could be disposed of.

4. Internal Audit

Audit Observation

Adequate internal audit had not been carried out regarding construction work, common amenities and land and buildings during 2019.

Recommendation

Higher management should pay special attention towards the said division.

Comments of the Accounting Officer

More attention will be drawn on behalf of matters pointed out in audit.