

Akurana Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statement

The financial statements for the year 2019 were submitted for audit on 28th February 2020 and the Auditor General's summary report on those financial statements has been forwarded to the Chairman on 20th May 2020 and the detailed Management Audit Report on 30th May 2020.

1.2 Qualified Opinion

In my opinion, except the effect of the matters described in the basis for the qualified opinion section of this report, Financial statements give a true and fair view of the financial position of the Akurana Pradeshiya Sabha as at 31st December 2019 and its financial performance for the year then ended, in accordance with generally accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The value of Rs. 2,453,382 incurred on 3 occasions for the development of the buildings of the Sabha had not been capitalized.	It should be accounted correctly.	03 Items had not been capitalized.
(ii) The Egodakumbura land owned by the Sabha had not been assessed and accounted for.	It should be accounted correctly.	It will be formally taken over and accounted for in the future.
(iii) 9 body building equipment received from the Ministry of Sports had not been accounted.	It should be accounted correctly.	It will be corrected in next year.

(b) Contingent Liabilities

Audit Observation	Recommendation	Comments of the Accounting Officer
As at 31 December 2019, the Sabha had sued against 4 outsiders and had been sued by 9 outsiders, the details of which had not been disclosed in the financial statements 2019.	Contingent liabilities should be disclosed in the accounts.	I was unable to account for by fault.

(c) Accounts Payable			
Audit Observation	Recommendation	Comments of the Accounting Officer	
The outstanding balance of Rs.4,399,126 for more than 1 year had not been settled.	Action should be taken to settle the payable balance.	Rs.5,952,845 has been paid out of the loan value. Further action will be taken with regards the remaining credit value.	

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
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) Section 52	No action had been taken legally in respect of 57 unauthorized constructions.	Action should be taken in respect of unauthorized construction.	Action is being taken to sue for unauthorized construction.
(ii) Section 126 vii (f)	Rs. 105,200 had not charged from 55 billboards.	Billboards should be surveyed and revenue should be collected.	Fees will be charged and will report to the audit in the future.
(b) Section 16 (2) of the National Audit Act No. 19 of 2018.	A performance report was not submitted with the financial statements.	A performance report should be submitted.	It is noted to present next year.
(c) Paragraph 571 (2) (b) of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	No action had been taken in relating to 18 deposits valued at Rs. 551,465 which elapsed 2 years.	Financial regulation should be followed.	Further action will be taken regarding these deposits.
(d) Circulars of the Commissioner of Local Government.			
(i) Section 10 of Circular No. 2016/3 dated 17th March 2016.	There were occasions when the tenants had sub rented and sub leased the shops.	Circulars should be followed.	A formal investigation will be conducted and report to the audit.

- (ii) Circular No. 07 dated 31st July 2013. Although the Pradeshiya Sabha had operated 30 three wheeler parks and registered 582 three wheelers by the year 2019, no annual fees were charged. Three wheelers should be surveyed and charged. A formal survey will be conducted and fees will be charged.

2. Financial Review

2.1 Financial Result

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31st December 2019, amounted to Rs.18,384,678 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.16,044,348.

2.2 Revenue Administration

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

The details of Estimated Revenue, billed Revenue, Collected Revenue and Arrears of Revenue for reviewed year and preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	6,503,526	6,958,206	5,685,210	1,808,916	5,987,300	6,072,632	5,001,338	1,071,292
(ii) Rent	2,727,400	3,895,639	3,704,985	364,861	1,255,800	3,322,006	3,180,701	141,305
(iii) License fees	3,555,000	3,470,200	3,470,200	-	2,500,000	3,016,850	3,016,850	-
(iv) Other income	12,700,000	17,306,192	-	25,181,523	12,700,000	-	-	12,700,000
	<u>25,485,926</u>	<u>31,630,237</u>	<u>12,860,395</u>	<u>27,355,300</u>	<u>22,443,100</u>	<u>12,411,488</u>	<u>11,198,889</u>	<u>13,912,597</u>

2.2.2 Court Fines and Stamp Duties

Audit Observation

The court fines receivable were Rs. 300,000 and the stamp duty was Rs. 15,756,931.

Recommendation

Action should be taken to get the relevant money to the council.

Comments of the Accounting Officer

That is being charged.

3. Operating Review

3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by the Sabha as per the Section 3 of the Pradeshiya sabha Act, in relating to regulation and control of all the matters relating to public health, public utility services and public highways, comfort, convenience and welfare of the people.

(a) By-Law

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main matters but by-laws had been enacted for only three matters.	By-laws should be enacted to generate revenue.	I accept.

(b) Failure to Obtain the Expected Output Level

Audit Observation	Recommendation	Comments of the Accounting Officer
Without implementing the 4 functions included in the Action plan in the year under review and the previous year, Rs.1,736,395 had been debited to expense and credited to creditor.	Action must be taken to accomplish the planned tasks.	Plans had been prepared to accomplish immediately.

(c) Vacated Affairs

Audit Observation	Recommendation	Comments of the Accounting Officer
During the year under review, Rs.1,205,000 had been allocated from the budget for 17 tasks but those tasks had been abandoned.	Action should be taken to implement the budget proposals.	These tasks have been neglected in giving priority to the proposals that should be given priority.

(d) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sustainable Development Goals have not been adequately identified and therefore have not been adequately addressed.	Sustainable development goals need to be identified and action taken to achieve them.	In preparing the 2020 Budget, the budget has been prepared considering the Sustainable Development Goals.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Due to a weakness in the design plan of the Akurana shopping complex, 25 shops were not doing business and paying rent to the council.	Businesses and consumers need to be facilitated to do business.	the shopping complex has been renovated at a cost of Rs. 2 million
(b) Although assessment taxes are required to be assessed every 5 years, they have not been assessed after 2012 in the Akurana Pradeshiya Sabha area.	It should be assessed the assessment tax in a timely manner and take action to recover the tax.	Although it had been informed that the Assessors will arrive in the year 2020, it has not been arrived yet.

3.3 Human Resource Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) During the inspection of approved and actual staff, there were 2 redundancies and 18 vacancies.	Action should be taken to fill the vacancies.	The relevant institutions have been informed about the vacancies to be filled in the surplus approved staff.
(b) No action had been taken to recover the loan balance of Rs. 39,875 due from a transferred officer from the Council.	Action should be taken to settle the loan.	It was a loan balance of a deceased officer and the permission had been asked for to write it off.

3.4 Asset Management

Idle/ Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The motor grader valued at Rs.17,649,179 has been driven only 16 km in the year 2019.	Action should be taken to utilize the assets.	This situation has arisen due to lack of demand.
(b) The excavator worth Rs.2,000,000 was decaying due to non-use.	Assets need to be repaired and utilized	The mechanical engineer has been informed to call for bids for the repair of this machine and provide information
(c) The cost of Rs.185,327 had been incurred on the backhoe machine in the year 2019, but it has been run for 98.3 hours.	Machinery must be utilized.	The machine is currently idle and a mechanical engineer has been asked for advice.
(d) Two tractors and 3 trailers belonging to the council were decaying at the Alawatugoda sports ground.	Action should be taken to dispose of idle assets.	A committee has been appointed to auction these vehicles. Reports have not been provided.
(e) A cultivation stall constructed at a cost of Rs. 96,648 remained idle.	Action must be taken to make use of this booth.	There was water leaked through the concrete floor and a number of side effects. Action will be taken to use this booth for a productive purpose.
(f) Nine body building equipment received from the Ministry of Sports on 23 rd February 2018 remained inactive.	Action should be taken to use these equipment.	Action will be taken to use these equipment for the bodybuilding center.

3.5 Procurement

Procurement plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Although a capital asset value of Rs. 10,392,887 had been procured in 2019, no procurement plan had been prepared.	A procurement plan should be prepared.	I accept.

4. Accountability and Good Governance

Internal Audit

Audit Observation

Recommendation

Comments of the
Accounting Officer

An officer had been appointed for internal audit, but there had not been an adequate internal audit during the year under review.

Internal audit should be done and reports should be submitted.

I accept.