

**Kandy Kadawathsatara and Gangawata Korale Pradeshiya Sabha  
Kandy District**

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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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 was forwarded to the Chairman on 31st May 2020 and the detailed management audit report on 30th June 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in the basis for the qualified opinion section of my report, Financial statement gives a true and fair view of the financial position of the Kandy Kadawathsatara and Gangawata Korale Pradeshiya Sabhaas 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**

**1.3.1 Accounting Deficiencies**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Receivable court fines revenue had been understated by Rs.1,384,053.	It should be accounted correctly.	Correction will be made through journal entries.
(b) The three wheeler purchased for Rs.866,500 had not been capitalized.	It should be accounted correctly	Action will be taken to correct in the future. .

**1.3.2 Non Reconciled Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was mismatch of Rs. 8,265,467 between the balance of 06 subjects of account as per the financial statements and source documents.	Differences should be reconciled and rectify.	Differences will be identified and rectify.

**1.3.3 Receivable and Payable Accounts**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Accounts Receivable</u> The balance of accounts receivable that had elapsed 05 years was Rs. 10,200,748 and the balance of accounts that had elapsed 01 to 05 years was Rs. 6,726,809.	Receivables should be recovered.	Action will be taken to recover in the future.

(b) Accounts Payable

The balance of accounts payable that had elapsed a period of 5 years was Rs. 1,237,331 while the balance of accounts that had elapsed a period of 01 to 05 years was Rs. 5,975,871.

Payables should be settled.

Action will be taken to settle in the future.

### 1.3.4 Lack of Written Evidence Required for Audit Non presentation of information

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

Documents and files related to 03 accounting subjects amounting to Rs. 5,905,919 had not been submitted for audit.

Evidence that verify the account balance in the financial statements should be presented.

Action will be taken to correct in the year 2020.

### 1.3.5 Non-Compliance

#### 1.3.5.1 Non-Compliance with Rules, Regulations, Regulations and Management Decisions

#### Reference to Laws, Rules, Regulations and Management Decisions

#### Non-Compliance

#### Recommendation

#### Comments of the Accounting Officer

(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

F.R. 1645

The log books maintained for vehicles were not updated.

Financial regulation should be followed. .

It will be correctly updated in the future.

(b) Public Administration Circulars

Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016

Fuel combustion inspection had not carried out in 09 vehicles

Circulars should be followed.

Action will be taken to carry out the relevant investigations.

### 1.3.6 Unauthorized Transactions with Sufficient Authority

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Despite the Rs.1,381,250 worth of works mentioned in the estimate related to the development of Peradeniya weekly fair under the Central provincial clean Green Development Program has been suspended and the council had completed the work and paid Rs.1.700,000 to the Contractor from the Council fund.</p>	<p>-----</p> <p>Payments should be made under the relevant provisions.</p>	<p>-----</p> <p>The payments had to be made as the projects had commenced when the General Secretariat instructed to suspend the work.</p>

## 2. Financial Review

### 2.1 Financial Results

According to the financial statement presented, excess of revenue over recurrent expenditure for the year ended 31st December 2019 amounted to Rs. 30,704,703, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 70,052,176.

### 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			Total Arrears as at 31st December	2018			Total Arrears as at 31st December
	Estimated revenue	billed Revenue	Collected revenue		Estimated revenue	billed Revenue	Collected revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,454,709	2,363,786	2,287,868	4,355,086	6,117,000	2,917,135	2,992,084	2,405,485
(ii) Rent	5,694,561	4,027,193	3,912,775	2,289,560	3,703,200	3,647,760	3,203,395	2,177,225
(iii) License fees	2,352,750	2,027,068	1,964,668	312,000	1,955,100	1,856,875	1,687,675	--
(iv) Other income	33,985,750	29,172,637	76,273,568	6,215,168	37,857,500	32,685,098	12,686,564	53,268,554
Total	44,487,770	37,590,684	84,438,879	13,171,814	49,632,800	41,106,868	20,569,718	57,851,264

#### 2.2.2 Court fines and Stamp Duties

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Receivable court fines and Stamp duties as at 31st December 2019 was Rs. 436,658 and Rs. 57,124,480 respectively.</p>	<p>-----</p> <p>The money due should be brought down</p>	<p>-----</p> <p>Source documents are being received and Action will be taken to bring down the money.</p>

### 3. Operating Review

#### 3.1 Performance

Following matters were revealed with regard to duties to be fulfilled by the Council 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 - laws

Audit Observation

Recommendation

Comments of the Accounting Officer

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By-laws had not been enacted for 06 matters at the end of the year under review.

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Act in accordance with the provisions of the Act

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Action will be taken set up a committee of by-laws and enact and follow by-laws.

##### (b) Inadequately Performed Function

Audit Observation

Recommendation

Comments of the Accounting Officer

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The Rs. 52,000,000 allocated for the construction of the Polythene Activation Project and the construction of a compost yard during the year under review had not been utilized.

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It should be utilized for provisioning purposes.

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A land has been selected but the Central Environmental Authority has informed that this land is not suitable for the purpose.

#### 3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

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From April to November 2019, a person was entrusted with the responsibility of training at the fitness center where the sports equipment worth Rs. 2,876,250 was located without a formal agreement

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Action should be taken to protect assets

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The matter will be referred to the Council and take further steps

#### 3.3 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

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Employee Vacancies and Excess

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As at 31st December 2019, there were 08 vacancies in the approved number of employees.

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Vacancies should be filled.

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These vacancies exist as recruitment is currently suspended.

### 3.4 Asset Management

#### 3.4.1 Idle and Underutilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A fumigation machine and a weeding machine those value could not be identified remained inactive.	Assets should be utilized without being wasted.	Mechanical Engineer had been referred for price assessment and further action once will be taken once the relevant details are received.
(b) The biogas unit valued at Rs.480,000 remained inactive for 05 years	Assets should be utilized	The relevant agency on the biogas unit will be contacted to conduct a feasibility study and further action will be taken.

### 3.5 Procurement

#### 3.5.1 Contract Administration

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Despite the quality inspection reports confirming that the Payment for Paving Blocks used for the Pallegama Gangahawela Road Development Industry does not have the required comprehensive strength, the contractor was paid Rs. 242,109 for 85.07 square meters.	The due quality should be checked before making the payment	Action will be taken to obtain a quality inspection report again.

## 4. Accountability and Good Governance

### Unresolved Observations and Unanswered Audit Queries

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) 2018 – 3.5.1 ----- The council owned 25 lands and buildings worth Rs.28,764,697 which had not been settled.	Assets should be settled.	Asset surveys have commenced and appropriate action will be taken once they are completed.

(b) 2018 – 3.5.2(b)

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Since 2010, 147 items of water equipment of which value unidentified have been left unused and destroyed.

Maximum benefits should be gained.

A general council has been reached for the auction

(c) 2018 – 3.6

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The Council had not taken action to recover Rs.276,693 which had been deposited in other institutions for various purposes

Action should be taken to get the money due

I will work with the relevant agencies in the future to resolve this issue.