

Kundasale Pradeshiya Sabha
Kandy 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 the 31 March 2020 and the summery report of the Auditor General had been presented to the Chairman on 23 May 2020 and the descriptive management report regarding the financial statements had been presented to the Chairman on 31May 2020.

1.2 Qualified Opinion

I am In an opinion that, except the effects of the financial statements of the matters refereed under the paragraph 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 state of affairs of the Kundasale Pradeshiya Sabha as at 31 December 2019 and financial results of its operations for the year then ended.

1.3 The Basis for the Qualified Opinion

(a) Accounting Deficiencies

	Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i)	The value of Rs.27,205,393 which had expended for the development of the buildings of the Sabha had not been capitalized.	It should be accounted correctly.	I accept.
(ii)	There was a difference of Rs.350,567 between the fixed asset value and the income contribution account to the capital application.	It should be accounted correctly.	I accept.
(iii)	The value of 1.044 hectares of land and 13 which could not surveyed lands which had been transferred to the Kundasale Pradeshiya Sabha in relation to the Pallekele Janasavigama housing project had not been assessed and accounted.	It should be accounted correctly.	I accept.

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| (iv) | An income of Rs.2,033,912 received from land auctions in previous years had not been accounted under land buildings. | It should be accounted correctly. | I accept. |
| (v) | The value of two cars owned by the sabha and a trailer received as a donation had not been taken into account. | It should be accounted correctly. | I accept. |
| (vi) | A stock of water industry goods worth Rs.4,837,105 which was not physically present was included in the final stock. | It should be accounted correctly. | I accept. |
| (vii) | Court fines and stamp duty for the year under review had not been accounted for on accrual basis. | It should be accounted correctly. | I accept. |
| (viii) | Garbage tax receivables as at 31December of the year under review had been under stated by Rs.1,347,070. | It should be accounted correctly. | I accept. |

(b) Contingent Liabilities

Audit Observation

Twenty-two outsiders had filed lawsuits against the Sabha, the details of which were not disclosed by financial statements.

Recommendation

Disclosure of contingent liabilities in financial statements.

Comment of the Accounting Officer

The shortcomings pointed out in the audit are acknowledged.

(c) Non-reconciled Accounts

Audit Observation

There was a difference of Rs.298,176,483 between the balance of 10 items of account which amounted to Rs.137,170,814 in the financial statements and the balance of source documents.

Recommendation

Action must be taking to correct them by examining.

Comment of the Accounting Officer

It has been informed that a committee of 5 members has been appointed to settle the balance.

(d) Accounts Receivable and Payable		
Audit Observation	Recommendation	Comment of the Accounting Officer
(i) The sum of 3 account balance items due on the last day of the year under review was Rs.56,423,330. Out of this, the total balance of accounts for the period 1 to 5 years was Rs.10,855,650 and the total balance of accounts over a period of 5 years was Rs.15,285,156.	Action should be taken to recover the receivable balances.	It has been informed that action will be taken to settle this balance.
(ii) The sum of 3 account balance items payable at the end of the year under review was Rs.7,208,594. Out of this the total balance of accounts for the period 1 to 3 years was Rs.6,253,022.	Accounts should be taken to settle the payable balances.	It has been informed that action will be taken to settle this balance.

(e) Lack of Necessary Documentary Evidence for Audit		
Audit Observation	Recommendation	Comment of the Accounting Officer
Evidence such as source documents, confirmations of receipt of cash and balance confirmation letters related to 3 items of account valued at Rs.24,338,396 had not been submitted for audit.	Evidence confirming the account balance shown in the financial statements should be submitted.	The shortcomings pointed out in the audit are acknowledged.

1.4 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Refer to laws, rules, regulations, and management decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Pradeshiya Sabha Act No. 15 of 1987			
(i) section 149	Action had not been taken to charge up to 1 present tax for the period 1 April 2017 to 31 March 2018 from a hotel registered with the Tourist Board.	Revenue should be collected after obtaining the set of accounts submitted to the Tourist Board.	I inform you that legal action has been taken.

(ii) Section 126 (vii) (e) and the Gazette Notification dated 13th December 2016	While it had not been conducted a survey about notice boards at the beginning of the year and no fee had been charged for all advertisements.	The notice boards should be surveyed and revenue should be collected.	I inform you that the it will be informed as to be done payment of fees in respect of unpaid billboards.	
(b) National Audit Act No. 19 of 2018 Section 16 (2)	A performance report had not been submitted with the financial statements.	Performance reports should be submitted.	It has been announced that it will be presented next year.	
(c) Assassins and Slaughterhouses Act No. 09 of 1898	Section 8	The Assassins should have been gazetted and protests should have been called for a murder scene, but action had been taken to issue temporary permits with the signature of the Chairman, and this place of business had not been set up in accordance with the rules and regulations.	Action should be taken according to the rules and regulations when issuing licenses.	It has been informed that the license issued has been suspended on 28th January 2020.
(d) Circular of the commissioner of Local Government	(i) No. 07 dated 31 July 2013	There were 127 three wheeler parking lots in the area and 1263 three wheelers were registered but there was no regular charge and there was a deficit of Rs.276,396.	Regular inspection of three wheelers and systematic collection of fees.	The survey was completed on March 31, 2019. Billing of non-running three-wheelers has been suspended.
(ii) Circular No. 2018/04 dated 24th April 2018. Paragraph 01	A cab had been repaired at a cost of Rs.314,364 without the approval of the Secretary to the Ministry.	Action should be taken accordance with the circular provisions.	Informed that approval could not be obtained due to a late error.	

2. Financial Review

2.1 Financial - Results

According to the financial statement presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2019 amounted to Rs.17,898,648 as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs.46,517,379.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Deficit Revenue

The details of Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in 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	8,006,682	29,092,209	21,020,016	2,887,295	9,938,681	9,981,743	7,094,801	7,511,399
(ii) Rent	8,400,000	8,552,745	8,026,451	901,002	6,863,272	10,418,822	8,449,819	17,258,864
(iii) License fees	2,301,000	5,416,000	4,551,048	864,951	2,332,000	-	5,816,917	-
(iv) Other income	745,000	624,000	345,210	440,006	6,218,200	789,600	16,957,085	2,400,518
	<u>19,452,682</u>	<u>43,684,954</u>	<u>33,942,725</u>	<u>5,093,254</u>	<u>25,352,153</u>	<u>21,190,165</u>	<u>38,318,622</u>	<u>27,170,781</u>

2.2.2 Rent

Audit Observation

At the end of the year under review, there was a arrears rent of Rs.887,750 in 50 shops in the Menikhinna shopping complex.

Recommendation

Action should be taken to recover the arrears.

Comment of the Accounting Officer

I inform you that it will be sealed if the arrears are not paid.

2.2.3 License Fees

Audit Observation

License revenue had decreased by Rs. 1,265,869 in the year under review as compared to the previous year. Revenue had declined due to a lack of a formal survey of market places.

Recommendation

Action should be taken to conduct the survey and recover fees.

Comment of the Accounting Officer

It has been informed that a formal survey will be conducted to obtain the license fee.

2.2.4 Other Income

Audit Observation	Recommendation	Comment of the Accounting Officer
An amount of Rs.1,062,380 had to be collected by sale of fertilizer from agreed institution.	Action should be taken to recover the arrears.	I would like to inform you that these matters will be referred to the Mediation Board and action will be taken to recover them.

2.2.5 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comment of the Accounting Officer
Deficits could not be identified as of December 31 due to non-billed of court fines and stamp duty in the year under review.	Action should be taken to bring down money.	Informed that are being charged.

3. Operational Review

3.1 Performance

The following are the facts revealed under Section 3 of the Pradeshiya Sabha Act regarding the regulation and control of matters pertaining to public Health, public utilities and public roads, and the performance of the duties of the Sabha which were to be performed by the Sabha for the welfare, convenience and welfare of the people.

(a) By-Laws

Audit Observation	Recommendation	Comment of the Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main points, but by-laws were enacted only for 19 matters.	The Council should enact revenue-generating by-laws to generate revenue.	It has been informed that action will be taken to enact by-laws.

(b) Failure to Obtain the Expected out put level

Audit Observation	Recommendation	Comment of the Accounting Officer
(i) The Pallekele Rajarupapola constructed at a cost of Rs.9,080,564 in the year 2016 remained idle for 5 years without any use.	Action Should be taken to get the expected benefits	It has been informed that action will be taken to provide tenders in the future.

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| (ii) | The elevator installed at a cost of Rs.4,536,144 during the year under review was inactive due to the unbalanced power line of the three-phase line provided by the National Electricity Board. | The elevator should be activated. | It has been informed that due to insufficient capacity of the electrical system, action will be taken to rectify it with a power cord. |
| (iii) | Although the Digana public toilet of the sabha was renovated in the year 2017 at a cost of Rs.2,000,000 but had not been utilized. | Repairing toilets and establishing public welfare. | It has been informed that work is being done to repair the sewer system. |
| (iv) | Rs.1,230,910 had been paid in the year 2015 for the purchase of 9 plots of land under the Sirimalwatta Housing scheme, but no action had been taken to take over the land or recover the money paid after paying the balance amount due. | Action should be taken to purchase the land or recover the money paid. | It has been informed that work is underway to recover this money. |

(c) Delays in Performing Tasks

Audit Observation

The sabha observed a delay in the execution of 21 tasks worth of Rs.3,475,000.

Recommendation

All projects should be timely complete.

Comment of the Accounting Officer

Accept.

(d) Solid Waste Management

Audit Observation

Kundasale and Pathadumbara Pradeshiya sabhas have not been able to achieve the desired objectives of the Automated Automotive Organic Fertilizer Production project from jointly decomposing waste. The non-perishable waste was dumped in limestone pits and covered with soil without resorting to recycling.

Recommendation

Achieving the desired objectives of the Organic Fertilizer Project and managing non-perishable waste properly.

Comment of the Accounting Officer

Accept.

(e) Sustainable Development Goals

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The Sustainable Development Goals have not been adequately identified, and have not been an adequate addressed.	Sustainable Development Goals should be identified and action should be taken to achieve them.	Accept.

3.2 Management Inefficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Any amount had not been charged from the Hela Bojun Hala in Rajarupapola.	Actions should be taken to recover the fees.	The Sabha have been informed to shareholders to come and sign the agreement, but they have not come.
(b) An amount of Rs.19,080,000 had been lost the non-implementation of the valuation of the rooms in the Balagolla Moragahapitiya Multipurpose Building and the Digana Multipurpose Building and no action had been taken to obtain a new valuation.	It should be charge shop rent on the valuation and implementing a new valuation.	It has been informed that action will be taken to obtain the new valuation and select the tenants.

3.3 Human Resource Management

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) There were 10 vacancies in 8 posts and 1 excess in 1 posts surpluses.	Fill in the vacancies and ensure that there are no redundancies.	Accept.
(b) A distress loan balance of Rs.927,087 had to be recovered from 5 transferred officers.	Action should be taken to recover debts.	It has been informed that work is underway to recover the loan balance.

3.4 Asset Management

3.4.1 Failure to Obtain Income due from Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Two toilets in Digana and Menikhinna owned by the Sabha had not been tendered to generate revenue	Action should be taken to tender the toilets and obtain an income.	It has been informed that the water pipe system will be restored and tendered.

3.4.2 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Five vehicles worth Rs.5,369,900 were underutilized and inactive.	Action should be taken to repair the usable vehicles and auction the dormant assets.	It has been informed that action will be taken to take a related action regarding these vehicles.

3.5 Non-Economic Transactions

Audit Observation	Recommendation	Comment of the Accounting Officer
Although the Ayurvedic doctor of the Sabha was paid a salary of Rs.728,256 in 2018 and Rs.770,472 in 2019. But expenditure had been become idle due to he did not doing any duty.	Action should be taken to attached this physician to to another sabha to obtain service.	I would like to inform you that a Mobile centre had been opened in Pallegunnapana to report for duty.

3.6 Identified losses

Audit Observation	Recommendation	Comment of the Accounting Officer
The amount Rs.48,606 had been spent on newspaper advertisements for the preparation of bids, without recognizing the need for the installation of a CCTV camera system. The Sabha had incurred a loss due to the non-performance of the relevant work.	Should be Prepare of specifications before tender.	As the Technical Evaluation Committee did not consider the bids called, the Technical Committee was directed to prepare the specifications and carry out the relevant work, but it was informed that the bids could not be called due to non-receipt of the specifications.

3.7 Procurement

Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
Although Rs.1,300,000 had been spent for the development of the Lunukatiyamaditta Multipurpose Building under the Capacity Development project of community based organizations in the year 2018, the plans for this construction had not been approved and the foundation of the building had been laid during the rainy season as the back part of the building was constructed on a canal that the foundation of the building had been laid in the rain.	Construction should be done after approved the plans.	The Divisional Secretary owns the building and as the plans had not been approved before the commencement of the construction, the Divisional Secretariat was informed that the deficiencies in the foundation had to be rectified at the time of the initial construction and the Provincial Council had allocated funds and informed that only the construction was done by this office.

4. Accountability and Good Governance

Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
An officer had been appointed for the internal audit but no adequate internal audit had taken place during the year under review.	It should be conducted internal audit and submitting reports.	It has been informed that the internal audit will be carried out after filling the vacancies.