

Pathahewaheta 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 28<sup>th</sup> February 2020 and the Auditor General's summary report on those financial statements was forwarded to the Chairman on 19<sup>th</sup> May 2020 and the detailed management audit report on 30<sup>th</sup> 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 Pathahewaheta 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

1.3.1 Accounting Deficiencies

Audit Observation

Recommendation

Comments of the  
Accounting Officer

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(a) Issues of stock material amounting to Rs.863,024 had been accounted for twice

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It should be accounted correctly.

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It will be corrected in the year 2020.

(b) The under-stated total of Rs.212,751 in the last year was accounted for as a transaction during the year under review

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

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There was a mismatch of Rs.782,849 between 05 subjects of account according to the financial statements and the source documents.

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Differences should be reconciled and rectified.

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Action will be taken to rectify the relevant mismatch in the year 2020.

1.3.3 Receivable and Payable Accounts

Audit Observation

Recommendation

Comments of the  
Accounting Officer

(a) Accounts Rreceivable

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The total balance of accounts receivable over a period of 05 years was Rs. 498,035 and the total balance

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Receivable balance should be recovered

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The relevant institutions and individuals will be informed in the future and charged.

of accounts that elapsed a period of 01 to 05 years was Rs.1,608,326.

(b) Accounts Payable

The total balance of accounts payable during the period of 01 to 05 years was Rs.376,905.

Action should be taken to settle payments

The relevant amount will be settled in the future.

1.3.4 Lack of Necessary Documentary Evidence for Audit Failure to Submit Information

Audit Observation

Recommendation

Comments of the Accounting Officer

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Deeds, assignment orders, files and useful documents for 03 account subjects amounting to Rs.18,640,902 had not been submitted for audit

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Evidences that verify the account balances in financial statement should be presented.

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Corrections will be made in the year 2020

1.3.5 Non Compliance

1.3.5.1 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

(e) 1988 Pradeshiya Sabha (Financial and Administration) rules

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Rule 218

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Lands and buildings were not inspected once a year.

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The relevant rules should be followed

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A survey will be conducted in the year 2020 and prepare reports.

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

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F.R.571

No action had been taken to refund the deposit or credit to the income of Rs. 213,548 pertaining to 16 projects.

It should act in accordance with monetary regulations

Action will be taken to credit the government revenue in the future.

(c) Section 06 of Circular No. 2016/03 of the Commissioner of

46 shops in Deltota Public Market had not been contracted on the

It should act in accordance with the relevant circulars

Action will be taken to enter into an agreement in the

Central Provincial and Local Government dated 17th March 2016

new valuation.

future based on the new assessment.

## 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. 29,451,639, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 32,598,203.

### 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.

Revenue source	2019				2018			
	Estimated revenue	billed Revenue	Collected revenue	Total arrears as at 31st December	Estimated revenue	billed Revenue	Collected revenue	Total arrears as at 31st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	2,445,247	2,227,999	2,523,912	6,405,182	2,457,319	2,257,124	2,248,475	6,484,677
(ii) Rent	7,573,083	4,860,666	4,672,308	1,185,400	4,102,089	3,441,900	3,733,878	702,776
(iii) Licence fee	3,357,500	1,487,010	1,487,010	--	4,131,325	2,907,999	2,577,599	2,369,700
(iv) Other income	64,744,379	52,188,729	48,450,230	100,771,385	36,927,188	41,463,018	13,904,751	84,234,185
Total	78,120,209	60,764,404	57,133,460	108,361,967	47,617,921	50,070,041	22,464,703	93,791,338

#### 2.2.2 Rates and Taxes

##### Audit Observation

##### Recommendation

##### Comments of the Accounting Officer

#### (a) Acreage Tax

Rs.1,308,243 due at the end of the year under review had not been recovered.

Arrears should be collected.

a survey will be conducted and, update the acreage tax register and take further action

#### (b) Water Charges

Rs.14,135,496 due at the end of the year under review had not been collected.

Arrears should be collected.

Charges were collected in 2019 by disconnecting supplies and mobile services, and action will be taken to charge arrears in the future.

2.2.3 Rent

## Audit Observation

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 The rent of Rs.219,240 due from Galaha Public Market had not been collected.

## Recommendation

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 Act in accordance with the agreement

## Comments of the Accounting Officer

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 Action will be taken in the future As permission has been granted for legal action.

2.2.4 Court fines and Stamp Duties

## Audit Observation

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 Receivable court fines and stamp duties as at 31st December 2019, was Rs.2,126,449 and Rs.49,948,502 respectively.

## Recommendation

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 Action should be taken to bring the money due.

## Comments of the Accounting Officer

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 In the future action will be taken to prepare documents and get the money.

3. Operating Review3.1 Performance

Following matters were revealed with regard to duties to be fulfill 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) Failure to Utilize the Provisions

## Audit Observation

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 Rs. 5,405,000 allocated for 05 expenditure objects for the year under review had not been utilized.

## Recommendation

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 Provisions should be utilized for the relevant purposes

## Comments of the Accounting Officer

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 Action will be taken to correct in the future.

(b) Sustainable Development Goals

## Audit Observation

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 The council has been implementing various functions for the benefits of the public in the area, but has not evaluated and follow up on how far they are compatible with the sustainable Development Goals.

## Recommendation

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 The follow-up process should be implemented.

## Comments of the Accounting Officer

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 Action will be taken to implement targeted programs by 2020.

3.2	<u>Human Resource Management</u>	Recommendation	Comments of the Accounting Officer
	Audit Observation		
	----- Employee Vacancies and Excess -----		
	At the end of the year under review, there were 17 vacancies in the approved staff	Vacancies should be filled.	As recruitment has been suspended, vacancies remain.
3.3	<u>Operational Inefficiencies</u>	Recommendation	Comments of the Accounting Officer
	Audit Observation		
	----- Shortcomings Related to Property Leasing -----		
	(a) 16 stalls had been leased out without a formal lease agreement.	Lease agreements should be signed.	The necessary steps will be taken to prepare the lease agreement in the future.
	(b) 28 shops in Galaha and Thalathuoya areas had not been assessed after the year 2008	A new assessment should be obtained	Officers came for the assessments and obtained the data, but the assessment reports have not been received yet.
3.4	<u>Assets Management</u>		
3.4.1	<u>Non-Documentation of Assets</u>		
	Audit Observation	Recommendation	Comments of the Accounting Officer
	----- The ownership, value and extent of 13 community halls, 64 cemeteries and 05 public toilets were not included in the fixed assets registry.	Fixed assets should be documented.	It will be confirmed and documented the value extent and the ownership in the future.
3.4.2	<u>Non ensure of the Safety of Assets</u>		
	Audit Observation	Recommendation	Comments of the Accounting Officer
	(a) The correct ownership of 22 units of land and buildings had not been confirmed.	Ownership of assets should be confirmed.	The preliminary work related to the preparation of plans and deeds has been done.

(b) The ownership and value of 07 drinking water schemes had not been properly confirmed.	Ownership of assets should be confirmed.	In the future Action will be taken to confirm the ownership and identify the value.
3.4.3 <u>Idle or Underutilized Assets</u>	Recommendation	Comments of the Accounting Officer
Audit Observation	Maximum benefits should be obtained from the assets.	The Board of Survey recommended for selling at a public auction or taking appropriate action.
----- Thirteen fixed asset items worth Rs.627,819 remained inactive.	Recommendation	Comments of the Accounting Officer
3.5 <u>Vehicle Utilization</u>	Maximum benefits should be obtained from the assets.	Currently, Revenue is generated from backhoes.
Audit Observation	Recommendation	Comments of the Accounting Officer
----- The Forton Lowell Backhoe, valued at Rs. 17,649,179 donated in 2015, had run for only 93 hours but spent Rs.905,451 on maintenance	Action should be taken to obtain services only on demand.	No comments.
3.6 <u>Non-economic transaction</u>	Recommendation	Comments of the Accounting Officer
Audit observation	A procurement plan should be prepared.	A procurement plan will be prepared for the year 2020..
----- While the backhoe owned by the council was idle, a backhoe machine was rented out at Rs. 217,080 per hour at a cost of Rs. 2,700.	Recommendation	Comments of the Accounting Officer
3.7 <u>Procurement</u>	A procurement plan should be prepared.	A procurement plan will be prepared for the year 2020..
3.7.1 <u>Procurement Plan</u>	Recommendation	Comments of the Accounting Officer
Audit Observation	A procurement plan should be prepared.	A procurement plan will be prepared for the year 2020..
----- The Capital Expenditure Council had borne Rs. 25,230,941 during the year but had not prepared a procurement plan. .		

4. Accountability and Good Governance4.1 Unresolved Observations and Unanswered Audit Queries

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) 2018 - 3.2(a) ----- As 280 water meters in the Uduwela, Murapola and Colombissa water projects implemented by the Council were out of order and it was not possible to recover the correct water charges.	Action should be taken to charge water charges.	Action will be taken to construct filter tanks and install water meters in the future.
(b) 2018 - 3.3(b) ----- The loan balance of Rs. 160,854 due from an officer who was transferred to the Kandy Municipal Council had not been recovered.	Action should be taken to recover the loan balance	Relevant institutions have been informed about the recovery.
(c) 2018 - 3.4(d) ----- No action had been taken to renew the lease agreements of 64 shops leased during the period 1994-2012.	Action should be taken to renew the lease agreement	Action will be taken to renew the lease agreement in the future.
(d) 2018 - 3.5.2(a) ----- Out of 2547 consumer units in 08 water supply schemes owned by the council, only a fixed water charges was charged without meters.	Meters should be installed and correct water charges should be charged.	In the future filter tanks and water meters will be obtained and charges will be collected. .
(e) 2018 - 3.5.3 ----- The council had not taken action to obtain the relevant deeds for the plots of land acquired from the 06 plots of land.	Action should be taken to obtain deeds.	Action will be taken to prepare plans and deeds in the future.
(f) 2018 - 3.5.4(c) ----- During the inspection of a sample of stock document the Council, 336 plumbing fittings worth Rs. 200,029, which had not been issued for a period of 03 to 05 years, remained inactive.	Action should be taken to utilize the assets.	The remaining items will be sold based on survey reports