

Panadura Urban Council
Kaluthara District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 05 March 2020 and the report of the Auditor General on 31 July 2020 and the Detailed Management reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the, basis for qualified opinion under Section of my report the financial statements give a true and fair view of the financial position of the Panadura Urban Council 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

(a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) Although the billed Stamp Fees for the year 2015 and 2016 amounted to Rs.12,816,489, it was shown in financial statements as Rs.15,598,459 and as such the Stamp fees and Cumulative Fund accounts were overstated by an amount of Rs.2,781,970.	Should be accounted correctly.	Noted that Stamp fees for 2015 and 2016 were received exceeding the billed amount and as such it was billed in 2019 yet it could not be accounted as debtors.
(ii) Creditor Provision amounting to Rs.14,782,862 had been made for 17 projects which were not fulfilled in the year under review.	Creditor Provision should not be done for unsigned and uninitiated projects.	Creditor Provision had been made for unfinished projects that were signed and initiated work.
(iii) Although purchases and donations amounting to Rs.6,221,373 in the year under review had been entered in to the Vehicle account and Capital Contributions by Income account, yet since only a donation amounting to Rs.5,800,000 as at	Assessed values should be accounted.	Noted that the donated compactor amounting to Rs.221,373 was assessed as Rs.5,800,000 in the assessment.

the year under review was received, the accounts were overstated by an amount of Rs.421,373.

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| (iv) | Audit fees amounting to Rs.682,131 had been paid for the year 2018 was shown as an expenditure in the year under review and provisions had not been made for the year under review. | Should be accounted correctly. | Noted that a mistake was made. |
| (v) | The book value of Rs.7,649,976 was accounted instead of account the physical value of the stock as at the end of the year. | Should be accounted correctly. | Noted that the balance of the stocks amounted to Rs.7,549,375 and an ayurvedic stock was included in the stocks making the balance as Rs.7,649,976. |
| (vi) | Staff Loan interests received in the year under review amounting to Rs.152,671 was credited to the staff loan account. | Should be accounted correctly. | Noted that it will be rectified in the final accounts of 2020. |

(b) Unreconciled Accounts

Audit Observations

Recommendations

Comments of the Accounting Officer

The balance of the Vehicles and Carts account amounted to Rs.57,135,411 as at the financial statement the year under review yet according to the relevant utility registers the balance amounted to Rs.51,356,829 and as such there was a difference of Rs.5,778,582.

Action should be taken to reconcile the balances after comparing and correct balances.

Noted that as according to the new vehicle valuation the balance is Rs.51,356,829 and the VAT value of the Motor cycle was shown after a reduction of an amount of Rs.21,418.

(c) Lack of documentary evidence for audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Due to the lack of updated sub registers and Survey reports 03 items of accounts totaling

Evidence confirming to the balances of the

Action will be taken to rectify in future.

to Rs.22,671,427 could not be satisfactorily vouched in audit. accounts should be presented.

1.4 Non compliance

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

References to the Laws, Rules, Regulations and Management decisions	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) 1988 Urban Council -- -----				
(i) Section 164 (2)		License fees were not collected from 02 Hotels registered under Tourism Development Board act No.14 of 1968.	Tax should be collected from institutes that are registered in Tourist Board.	Noted that one institute isn't paying tax to the Tourist Board and discussions are being done with the other institutes.
(ii) Section 165 (d)	553,600	A one per cent tax was not collected from the Land auction related to Plan No 3756 of the New Leads Road by a Private institute.	A 01 per cent Tax from the sale value should be collected.	Noted that a Letter had been sent for asking an extension period for payments.
(iii) Section 170 (2)		Properties had not been prohibited as the final step of recovering the arrears of assessment tax.	Action should be taken to recover arrears of assessment tax.	Noted that action will be taken to recover arrears of assessment tax by prohibiting properties.
(b) Gazette Notification No.1533/16 dated 25 January 2008.		Environmental License had not been issued for 14 business institutes	Environmental Licenses should be issued to institutes that should be taken environmental License.	Noted that Reminders have been sent.

- (c) Paragraph 3.1 of the Public Administration Circular No.2016/30 dated 29 December 2016. Fuel consumption tests were not done for 21 vehicles of the council. Fuel consumption of vehicles should be tested annually. Noted that Fuel consumption tests will be done before 30 September 2020.

2. Financial review

2.1 Financial Results

According to the Financial Statements presented, the Recurrent expenditure over Revenue of the Council for the year ended 31 December 2019 amounted to Rs.7,469,855 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.50,657,789.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	2019				2018			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment and tax	44,701,000	49,240,528	48,011,856	20,014,097	45,200,000	47,666,748	35,586,717	18,851,021
Rent	8,516,000	5,017,916	1,385,391	3,632,525	5,305,000	5,289,224	1,568,451	3,720,773
Permit fees	2,193,000	386,000	386,000	-	350,000	506,478	506,478	-
Other income	45,802,000	38,000,000	-	70,502,070	55,000,000	55,000,000	-	147,218,030
	101,212,000	92,644,444	49,783,247	94,148,692	105,855,000	108,462,450	37,661,646	169,789,824

2.2.2 Performance of Collecting Income

(a) Assessment and Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
The total arrears of assessment tax as at the end of the year under review amounted to Rs.19,896,000 and the said balance contained amounts due from 03 – 05 years of Rs.1,645,413 and amounts due more than 05 years of Rs.1,314,792.	A program should be prepared for the recovering of long term arrears.	Noted that arrears of income could not be recovered due to the present situation of the country.

(b) Industrial and Business Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
Action had not been taken to recover the arrears of balances in the Industrial and Business Tax account amounting to Rs.65,840 as at the beginning of the year under review at the end of the year.	Arrears of tax should be recovered.	Notified that Legal action had been taken related to this and records of the recovering not available and there was a zero balance in the court.

(c) Rent of Trade Centers

Audit Observations	Recommendations	Comments of the Accounting Officer
(i) The arrears of Rent of Trade Centers balance amounted to Rs.3,819,290 as at the beginning of the year under review and only Rs.333,410 was collected as at 30 June 2020.	Arrears of Shop rent should be collected as soon as possible.	Noted that the arrears of shop rent as at 03 July 2020 amounted to Rs.3,483,881 as of the arrears of 31 December 2019.
(ii) An amount of Rs.3,565,484 or 76 per cent was to be recovered from the billed Trade Center Rent amounting to Rs.4,680,000 as at the year under review.	Arrears of Shop rent should be collected in exigent.	Noted that an amount of Rs.3,565,484 was to be recovered as at 03 July 2020 from the annual billing.

(d) Collection of Three Wheel Fees

Audit Observations

Although it was reported that there are 679 three wheels in the parking lots belonging to the council as at the survey reports of 2019 and yet permits were issued only for 300 three wheels as at the year under review and as such an amount of Rs.379,000 was lost to the council from the 379 three wheels parked in the lots without permission.

Recommendations

Fees should be collected from all three wheels parked in the lots of the council.

Comments of the Accounting Officer

Noted that permits were not issued for 379 three wheels as according to a decision of the council and the present three wheel by laws will be amended and a new bylaw will be imposed and fees will be collected as according to the council decision dated 05 September 2019.

(e) Collection of Tax from Auctioned Land

Audit Observations

Although a tax amount of Rs.1,854,568 was collected from 04 land auctions done within the area of authority of the council, yet the value of the land was not considered for this.

Recommendations

Tax should be collected on the sale value.

Comments of the Accounting Officer

Noted that the arrears will be collected after checking the Proof copies and valuation of the department of valuation.

2.2.3 Stamp Fees

Audit Observations

Stamp fees amounting to Rs.70,502,070 was to be collected from the Chief Secretary and other officers of the council as at 31 December 2020.

Recommendations

Action should be taken to collect the arrears of fees.

Comments of the Accounting Officer

Noted that action will be taken to collect this fee.

3. Operational Review

3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 4 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) Action Plan

Audit Observations

Although an action plan was prepared for 2019, yet the method to utilize the provisions provided by the Budget of the year was not identified in the plans.

Recommendations

The method to utilize the funds provisioned by the Budget register should be shown in the action plan.

Comments of the Accounting Officer

Noted that an identification was not done in 2019 and an action plan will be made properly for 2020.

(b) Sustainable Development Goals

Although 17 Sustainable Goals were identified by the council yet action had

not been taken to included and initiate them in the annual action plan.

Action should be taken to include

and initiate in the annual action plan.

Noted that it was included to the 2020 annual Action Plan.

3.2 Management Inefficiencies

Audit Observations

(a) Establishing the Community Board

Only 01 community board was established for 19 Grama Niladari Divisions and only 17 projects were done with the contribution of the Community Board of the council as at the year 2019.

Recommendations

The work of the community Division should be done efficiently.

Comments of the Accounting Officer

Noted that due to the lack of a permanent Community Development Officer the work of the division cannot be done in exigent.

- (b) The Public Market building in a state of condemned

 An investigation was done on the public trade center with an area of 25,830 square feet finished in 1993 and 1994 on 24 August 2016 by the National Building Research Institute and according to the reports provided, the concrete structure of the building had decayed and any repairs done would not be effective and the continued use of the building will result in disastrous conditions and as such it was revealed that it should be demolished yet the building was not demolished even as at May 2020 and business were being carried out in shops. Also, as according to the Committee on Public Accounting held in the parliament as at 04 July 2017 , it was ordered to take legal action against related to the matter yet, the said direction was not initiated.

Action should be taken in exigent. Noted that steps will be taken as soon as possible to construct temporary shop rooms and remove the shop owners from the dangerous building.

3.3 Human Resource Management

 Audit Observations

Recommendations Comments of the
 ----- Accounting Officer

- (a) Vacancies and Excess of Staff
- (i) The Super Grade Manager Assistant was appointed to cover the duties of the Secretary position.
- (ii) An Accountant, a Public Health Inspector, Librarian positions, a Technical Officer position, Management Assistant position, 03 Revenue Inspector positions, a Preschool Teacher position, a Field Work Inspector position, two driver positions and 14 primary level positions were left vacant.

An officer should be recruited on a permanent basis. Noted that the Commissioner of Local Government had informed about the Vacancies.

Action should be taken to fill vacancies. Noted that the Commissioner of Local Government had informed about the Vacancies. The recruitment to primary level positions was stopped temporarily.

(b) No pay leaves

15 workers had obtained 830 No pay leaves as at the year 2019 and yet relevant action had not been taken.

Action should be taken related to the workers who are repeatedly taking no pay leaves.

Relevant disciplinary action is being taken.

3.4 Asset Management

Utilization of vehicles

Audit Observations

Recommendations

Comments of the Accounting Officer

Action had not been taken to dispose 05 vehicles of the council existing as dilapidated debris.

Disposing activities should be taken in exigent.

Noted that action is being taken to dispose.