

Karadeniya Pradeshiya sabha  
Galle District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The Financial Statements for the year 2019 had been presented for audit on 06 April 2020 and the report of the Auditor General on 17 June 2020 and the Detailed Management reports on 30 June 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

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

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1.3.1 Accounting Deficiencies

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Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) Credit Provision had not been made for an amount of Rs.12,430,693 of contributions to be paid to the Local Government Pension Fund as at 31 December of the year under review.	Provision should be done correctly.	Action will be taken to correct during the preparation of accounts in the year 2020.
(b) An amount of Rs.212,911 recovered for no pay leave had been credited to the Salary and Wages account.	Should be accounted correctly.	Action will be taken to correct during the preparation of accounts in the year 2020.
(c) An amount of Rs.240,000 had been spent to prepare a new name board for the borders of the Council had not been capitalized under Land and Buildings.	Should be accounted under the correct header.	Action will be taken to correct during the preparation of accounts in the year 2020.

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| (d) | An amount of Rs.230,000 spent for the cost of fixing a CCTV camera system in the year under review had not been Capitalized. | Should be accounted under the correct category. | Action will be taken to correct during the preparation of accounts in 2020.          |
| (e) | Furniture and Fittings bought in the year under review amounting to Rs.31,100 had not been capitalized.                      | Fixed assets should be accounted correctly.     | Action will be taken to correct during the preparation of accounts in the year 2020. |
| (f) | Less calculation of Stamp fees amounting to Rs.1,292,391 in the year under review had been accounted twice.                  | Should be accounted correctly.                  | Action will be taken to rectify during the preparation of accounts in the year 2020. |

### 1.3.2 Unreconciled Control Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
There was a difference amounting to Rs.868,821 between Balances of the Financial Statement and Utility Registers/ Sub Registers of 04 Accounting items as at 31 December of the year under review.	Action should be taken to correct the accounts after reconcile the balances of the accounts.	Action will be taken to correct in the future since the differences were since a long time.

### 1.3.3 Receivable and Payable Accounts.

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Receivable accounts		
(i) Proper action were not taken to recover arrears of income totaling to Rs.2,339,889 due more than 05 years of 07 balances and an amount of Rs.2,754,134 due for 01 to 05 years of 05 income balances.	Receivable balances should be recovered.	Action will be taken to recover arrears of income.

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|-------------------------------|---|---|---|
| (ii)                          | Action had not been taken to recover a deposit of Rs.151,800 given to a Refueling station in 2015.  | Deposits should be recovered after the agreements are over. | Action will be taken to recover in future.                                    |
| <br>                          |   |   |   |
| (b) Payable accounts<br>----- |   |   |   |
| (i)                           | Action had not been taken to settle payable interest amounting to Rs.727,224 due before the year 2015.  | Action should be taken to settle payable balances.          | Noted that action will be taken to settle payable account balances.           |
| (ii)                          | Value Added Tax on value amounting to Rs.11,423,376 related to the year 2012 and before were not transferred to the Department of Inland Revenue and was kept in the General Deposit account. | Action should be taken to settle payable account balances.  | Noted that action will be taken to settle payable account balances in future. |

1.3.4 Lack of Documentary Evidence for Audit  
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Non submission of information  
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Audit Observations  
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Necessary information regarding 11 items of account totaling to Rs.121,053,328 had not been presented for Audit.

Recommendations  
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Information confirming the balances of the Financial Statements should be submitted.

Comments of the Accounting Officer  
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Action will be taken to correct in future.

1.4 Non compliance  
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Non-compliance with Laws, Rules, Regulations and Management Decisions.  
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References to the Laws, Rules, Regulations and Management decisions  
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Recommendation  
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Comments of the Accounting Officer  
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(a) Parliament Act No.15  
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|-----|---------------------------|--|---|--|
| (i) | Paragraphs 134(1) and (2) | Action had not been taken to designate developed areas as Assessed areas and collect Assessment Tax. | Assessed areas should be designated and assessment tax should be collected as according to the Act. | Noted that Assessment tax will be collected in future. |
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(b) 1988 Pradeshiya Saba  
(Financial and  
Administrative) Rules

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|----------------|---|--|---|
| (i) Rule 33    | A list of persons who had neglected to pay the Assessment Tax and list of prohibition of property warrants had not been prepared                      | Action should be taken according to the rules. | Action will be taken to issue warrants and collect arrears of income. |
| (ii) Rule 193  | A statement had not been prepared depicting the reasons for the Excess and Deficiencies after comparing the Budget with income and Expenditure items. | Action should be taken according to the rules. | Relevant action will be taken in future.                              |
| (iii) Rule 218 | An annual inspection had not been conducted on Land and Buildings belonging to the Council.   | Action should be taken according to the rules. | Relevant action will be taken in future.                              |

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

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|--------------------------------------|--|--|--|
| (i) Financial Regulation<br>102-110  | Action had not been taken for Loss and Damage and the relevant reports were not submitted for audit and a Loss and Damage Register had not been maintained.  | Action should be taken according to the financial regulations. | Action will be taken to correct in future. |
| (ii) Financial regulation<br>104-109 | Although an amount of Rs.353,164 was spent on the repairs of the double cab belonging to the council which met with an accident on 23 August 2018, yet relevant action for the said accident had not been taken. | Action should be taken according to the financial regulations. | Action will be taken to correct in future. |

- (iii) Financial regulation 1645 and 1646. Daily running charts and Monthly summaries of the vehicles were not presented for audit. Action should be taken according to the Financial Regulations. Action will be taken to correct in future.
- (d) Public Administrative Circular No.30/2016 dated 29 December 2016. Fuel consumption tests was not done for 12 vehicles belonging to the council. Action should be taken according to the Circulars. Action will be taken to correct in future.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.635,648 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.17,479,978.

### 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	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.
Rates and tax	3,337,800	2,988,790	2,580,090	4,540,050	3,537,600	2,890,690	2,794,173	4,143,785
Rent	6,592,550	6,897,228	6,849,361	5,006,439	6,836,500	5,809,826	4,639,494	8,774,251
Permit fees	450,000	352,829	352,829	123,350	400,000	152,250	154,250	123,500
Other income	4,036,000	3,024,989	3,024,989	45,192	3,113,000	2,907,872	2,907,872	45,192
<b>Total</b>	<b>14,416,350</b>	<b>13,263,836</b>	<b>12,807,269</b>	<b>9,715,031</b>	<b>13,887,100</b>	<b>11,760,638</b>	<b>10,495,789</b>	<b>13,086,728</b>

## 2.2.2 Assessment and Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Assessment		
(i) Arrears of Assessment tax for the year under review and the preceding year to be collected amounted to Rs.4,084,152 and an amount of Rs.621,971 or 15 per cent was collected.	Arrears of income should be collected exigent.	Action will be taken to recover arrears of income exigent.
(ii) Arrears of assessment tax in the Head Office area of authority amounted to Rs.548,007 and the sub office area of authority amounted to Rs.2,901,097 as at 31 December of the year under review. The arrears of assessment tax in the sub office included arrears due more than 05 years amounting to Rs.1,216,243 and 35 units with more than an arrears of Rs.10,000 totaling to Rs.662,025.	Arrears of tax should be collected.	Action will be taken to collect the arrears of income in future.
(b) Acreage tax		
Arrears of Acreage tax for the year under review and the preceding year to be collected amounted to Rs.87,327 and a low amount of Rs.4,421 as such a 05 per cent was collected.	Arrears of tax should be collected.	Action will be taken to collect the arrears of income in future.
(c) Water Tax		
The billed income for the year under review amounted to Rs.826,890. Although an amount of Rs.1,535,807 was to be collected for the year under review and preceding years, only an amount of Rs.582,560 or a 38 per cent from the balance was recovered.	Arrears of tax should be recovered.	Action will be taken to recover the arrears of income in future.
(d) Entertainment tax		
The estimated Entertainment tax for the year under review amounted to Rs.250,000 and the billed and collected income amounted to Rs.40,000.	Estimates should be made according to the operational capacity.	Action will be taken to rectify in future.

### 2.2.3 Rental Tax

Audit Observations	Recommendations	Comments of the Accounting Officer
(a) Shop Rent The billed amount for the year under review was Rs.3,278,729 and the total Shop tax income to be collected during the year under review amounted to Rs.10,515,883. Yet the collections during the year were as low as Rs.3,366,783 which is 32 per cent from the billed amount.	Arrears of tax should be collected as soon as possible.	Action will be taken to collect the arrears of income in future.
(b) Rental of Trade rights		
(i) The arrears of stall rental as at 31 December of the year under review amounted to Rs.193,034.	Arrears of income should be collected exigent.	Action will be taken to collect the arrears of income in future.
(ii) The arrears of Fair tax income as at the beginning of the year under review amounted to Rs.518,434 and the billed value for the year amounted to Rs.352,299. As such although a total Fair tax amount of Rs.4,041,433 was to be recovered for the year, the collected income for the year amounted to Rs.3,386,399. As such the arrears of Fair tax as at 31 December of the year under review amounted to Rs.655,034.	Arrears of tax should be collected exigent.	Action will be taken to recover the arrears of income in future.

### 2.2.1 Court Fines and Stamp fees

Audit Observations	Recommendation	Comments of the Accounting Officer
The Court Fines amounting to Rs.845,733 and Stamp Fees amounting to Rs.31,627,950 was to be collected from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review.	Arrears of income should be collected exigent.	Action will be taken to collect the arrears of income in the future.

3. Operational Review  
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3.1 Performance  
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Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 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 -----	Recommendation -----	Comments of the Accounting Officer -----
An action plan was not prepared for the duties to be performed as according to the stated bylaws by the Council for the year under review.	An annual Action plan should be prepared.	Action will be taken to prepare an annual action plan in future.

(b) Solid Waste Management  
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Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
A proper program for the management of waste was not initiated.	Action should be taken to prepare a proper program for the long-term disposal of garbage.	Noted that a proper program for the disposal of waste will be initiated after buying a land.

(c) Goals of Sustainable Development  
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Audit Observations -----	Recommendation -----	Comments of the Accounting Officer -----
Plans had not been made according to 2030 Agenda for the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.	Action should be taken to enhance the living standards of the citizens by preparing long term plans for sustainable development.	A plan will be made in the future to enhance the living standards of the people living within the area of authority.

### 3.2 Management Inefficiencies

----- Audit Observations -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) An amount of Rs.1,631,264 was spent to buy street lamp equipment in the year under review and around 5000 street lamps were repaired yet since the council had not come into an agreement with the electricity board since 2008, the cost of repair of the street lamps could not be reimbursed.	Agreements should be entered with the Electricity board and maintenance cost for the street lamps should be reimbursed.	Action will be taken to collect in the future.
(b) The total of Rs.21,896,750 was to be recovered had not been recovered from the Mahaedanda shop rooms as of 31 December of the year under review.	The total should be collected.	Action will be taken to recover in future.
(c) The income to be earned by the council was lost since action had not been taken to rent 03 shop rooms from the Uuragasmanhandiya Post office even up to 31 December of the year under review.	Action should be taken to rent the shop rooms and earn the income.	Action will be taken to rent.

### 3.3 Human Resource Management

----- Audit Observations -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Vacancies and Excess of Cadre. -----		
(i) Action had not been taken to formalize one excess of cadre and recruit to 15 positions.	Action should be taken to formalize excess and recruit to vacancies.	Action will be taken to recruit to vacant position and formalize excess.
(ii) The approved Management Assistant positions as according to the staff plan was 07 and the actual amount was 08. Also, an Assistant Librarian and a Field Labor was used to cover the position of Management Assistant.	Casual and substitute workers should be properly recruited.	Action will be taken to recruit properly in future.

(iii) Permanent/ Field Labours and Casual Lady Workers were given to issue medicine in the Ayurveda center although two Medical composer positions were approved.	Qualified officers should be posted.	Action will be taken to recruit qualified people and post them.
(b) Staff loans ----- Staff loans amounting to Rs.736,456 issued to 50 workers and council officers amounting to of Rs.412,323 had not been recovered since before 2011.	Arrears of staff loans should be recovered.	Action will be taken to recover worker loans after obtaining information.
3.4 Asset Management ----- Audit Observations	Recommendation	Comments of the Accounting Officer
(a) Assets not acquire ----- Action had not been taken to acquire the cab given to the council by the Ministry of Provincial Councils and Provincial Administration in 1999.	Action should be taken to acquire the ownership.	Action will be taken to acquire.
(b) Inactive assets ----- (i) An unregistered Water bowser, Tractor trailer and a Hardimech machine used for electricity work were idle for 05 years.	Action should be taken to dispose or repair.	Action will be taken to dispose.
(ii) A waste sieve machine and a waste shredder used to produce compost before 2015 were left idle.	A proper long term plan should be made for the disposal of garbage.	Noted that proper plan will be made in the future after obtaining a land for the disposal of garbage.
(c) Underutilized assets ----- A motor grader amounting to Rs.24,928,666 received in 2015 was not used since the moment it was received.	Action should be taken to use the assets belonging to the council.	Action will be taken to dispose.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observations

An adequate internal audit was not done for the year under review.

Recommendation

Action should be taken according to the Circulars and Financial Regulations.

Comments of the Accounting Officer

Action will be taken to conduct and send reports of internal audits in future.

4.2 Conducting Audit and Management Committees

Audit Observations

Only one Audit and Management Committees was held during the year under review.

Recommendation

One should be held per quarter.

Comments of the Accounting Officer

Action will be taken according to the Circulars in future.