

Imaduwa Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 28 February 2020 and the report of the Auditor General on 22 June 2020 and the Detailed Management reports on 30 June 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 the Section of my report the financial statements give a true and fair view of the financial position of the Imaduwa 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

1.3.1 Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
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(a) The value of the multi-purpose building built in the auction Land in Athgandara Estate had not been assessed and accounted.	Assets should be assessed and accounted.	Action will be taken to correct in future.
(b) Provision had not been made for the Audit fees to be paid for the year under review in the Financial Statements.	Provision should be made for Audit Fees.	Will be rectified in the 2020 accounts.
(c) Credit provision amounting to Rs.600,000 had not been made for the Kabaragala School Lane stated in the year under review.	Liabilities should be accounted correctly.	It was not accounted since the work was stopped halfway.
(d) Two works done using the council funds amounting to Rs.126,305 had been accounted as works done using external funds as such the Receivable Capital Donations and debtors had been overstated by that amount.	Should be accounted correctly.	Action will be taken to correct in the previous year.

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| (e) | Assets received as donations by the council had not been accounted as separately identifiable. | Assets should be accounted separately. | The assets are hard to identify as separate and will be accounted correctly in future. |
| (f) | Since before 2019 an amount of Rs.26,004,990 stated as Work Loans although such work was not done, had been repeatedly shown in the books while Current Asset had been over stated by that amount. | Current assets should be accounted correctly. | Accounts will be corrected after rectifying registers in future. |

1.3.2 Receivable and Payable Accounts

Audit Observations

Recommendations Comments of the
Accounting Officer

(a) Receivable Accounts

Income Debtors balance amounting to Rs.55,131,568 due since before 2019 and an amount of Rs.4,697,825 within that balance had been there since before 05 years and action had not been taken to recover the Loan balances.

The loan balances should be recovered after identifying the balances exigent. Some of the balances are suspense and action will be taken to write off the balances with approval.

(b) Payable Accounts

A payable balance of Rs.38,979,805 within Current assets were not paid since more than one year as at the end of the year under review, and action had not been taken to settle a payable balance within above amounting to Rs.4,509,520 since more than 05 years.

Payable balances should be settled. Action will be taken to remove from the Final Accounts in future.

1.3.3 Lack of Documentary Evidence for Audit.

 Non submission of information for audit.

Audit Observations	Recommendation	Comments of the Accounting Officer
Information regarding 13 accounting items amounting to Rs.155,114,170 was not submitted for audit.	Information confirming the balances of the financial statements should be submitted.	Action will be taken to correct in future.

1.4 Noncompliance

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

References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Saba (Financial and Administrative) Rules	(i) Rule 99 42 vouchers for payments amounting to Rs.2,072,483 were not certified.	Action should be taken according to the financial regulations.	It is noted that the Action will be taken to make sure such mistakes will not happen in future.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka	Financial Regulation 571 (1)(2)(3) Action had not been taken regarding 2 years expired deposits amounting Rs.3,999,274.	Action should be taken according to the financial regulations.	Action will be taken according to Financial Regulations in future.
(c) Public Administrative Circular No.30/2016 dated 29 December 2016	Fuel consumption tests were not done for 11 vehicles under running conditions.	Action should be taken according to the Circular.	Fuel consumption tests will be done in future.

- (d) The Circular of Action had not been taken for 04 idle vehicles. Action should be taken according to the Circular. Action will be taken to Repair or Dispose in future.
- No.02/2015 of the Ministry of Finance dated 10 July 2015.

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.2,063,089 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.1,642,431.

2.2 Financial Control

Audit Observations

Recommendation

Comments of the Accounting Officer

A bank overdraft was observed in the main cash book since payments were done without having adequate balance in the Bank Accounts from 31 March 2018 to 30 June 2019 and as such the negative balance had grown to Rs.3,448,395 as at 30 June 2019.

Payments should not be done when the balance of cash book is not adequate.

Action will be taken to avoid such mistakes in future.

2.3 Revenue Administration

2.3.1 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.
Rates and tax	616,400	546,890	416,333	752,722	518,900	610,325	255,422	594,425
Rent	4,234,000	1,072,150	927,150	606,600	4,771,000	888,150	989,950	461,600
Permit fees	190,000	274,450	226,350	225,466	150,000	212,000	260,700	177,366
Total	5,040,400	1,893,490	1,569,833	1,584,788	5,439,900	1,710,475	1,506,072	1,233,391

2.3.2 Permit Fees

Audit Observations	Recommendation	Comments of the Accounting Officer
Arrears of License fees balance due more than 05 years amounted to Rs.177,366.	Arrears of License fees should be collected.	While an arrears of License is not possible, lawsuits have been filed to remove the balances in the year under review.

2.3.3 Rent

Audit Observations	Recommendation	Comments of the Accounting Officer
Arrears of Rent balance due more than 05 years amounted to Rs.461,600.	Action should be taken to recover arrears of income.	Noted that while removing deficits occurred during Aberration of Council was problematic, lawsuits have been filed as according to the Paragraph 152 of the act.

3. Operational Review

3.1 Performance

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.	Fruitful annual action plan will be prepared in future.

(b) Solid Waste Management

Audit Observations

While the collected waste was dumped into Hornathota Kanda land belonging to the council without sorting, an environmental License also had not been obtained for the purpose of dumping garbage in to this area.

Recommendation

A proper plan should be made for the management of waste and an Environmental License should be obtained.

Comments of the Accounting Officer

Action will be taken to obtain a License and prepare a plan in future.

(c) Reaching the Goals of Sustainable development

Audit Observations

Plans had not been prepared 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.

Recommendation

The living standards of the citizens should be enhanced by preparing a long-term plan for Sustainable Development.

Comments of the Accounting Officer

A plan will be prepared in future to enhance the living standards of the people living within the area of authority.

3.2 Management Inefficiencies

Audit Observations

(a) Action had not been taken to give 12 shop rooms in the ground floor of the Shopping complex to the Business community even as at 31 December 2019.

Recommendation

Action should be taken to rent.

Comments of the Accounting Officer

Action will be taken to rent in future.

(b)	The Street lamp repair cost could not be reimbursed since the council had not come to a Contract with the Electricity board since 2006. Funds amounting to Rs.5,222,770 could not be reimbursed as oat 31 December 2019.	Action should be taken to reimburse the repair costs which had been taken from the council funds.	Action will be taken in relation in future.
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(c)	Action had not been taken to recover an excess of salary paid amounting to Rs.47,625.	Action should be taken to recover excess of salary paid.	Action will be taken to reimburse June 2020.
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3.3 Management Inefficiency

Audit Observations

An amount of Rs.255,868 in 2015 and 305,000 in 2016 had been earn from a Cinnamon cultivation of a land of 03 acres started in 2014. No income was collected after the end of the contract as at 06 April 2018.

Recommendation

Comments of the Accounting Officer

Action should be taken to collect the income to be receivable by the council.

Action will be taken collect the income in future.

3.4 Human Resource Management

Audit Observations

(a) 08 stuff members belong to different positions were assigned on duties not related to their positions.

Recommendation

Comments of the Accounting Officer

Action should be taken to assign permanent duties and properly systemize duties.

Action will be taken to correct in future.

(b) Action had not been taken to recruit 11 vacancies and to formalize an excess of cadre of the approved posts.

Cadre should be formalized.

Action will be taken to correct in future.

3.5 Underutilized Assets

Audit Observations	Recommendation	Comments of the Accounting Officer
(a) 06 acres of the Horanathota Kanda Land had not been used for a fruitful economic activity.	The extend land should be used,	Action will be taken with relation to this in future.
(b) The crematorium had been built after spending Rs.4,984,798 was idle since 2018.	Action should be taken to repair the crematorium.	Noted that it will be repaired and put into use in future.
(c) A 10Kw Generator received as a donation in 2007 was left inactive.	Should be repaired or disposed.	action will be taken to repair in the future since repair cost is high.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observations	Recommendation	Comments of the Accounting Officer
Although an internal auditor had been recruited, a proper internal audit had not been done and audit reports were not presented.	A proper internal audit should be conducted.	Action will be taken to conduct a proper internal audit in the future.