

**Sitawaka Pradeshiya Sabha
Colombo District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 27 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 22 September 2020 and 20 October 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Sitawaka 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

(a) Accounting Deficiencies

Audit observation

A compactor valued at Rs. 11,930,000 had been given by the Department of Local Government in 2018 on the basis of making recoveries in instalments. This had not been brought to account in the Recoverable Utility Services Account and the Provincial Council Loan Account. Further, 20 instalments amounting to Rs. 4,734,000 had been set off against the court fines and stamp fees due to the Sabha commencing from May 2018. However, necessary adjustments had not been made in the accounts concerned.

Recommendation

Action should be taken to correctly bring to account.

**Comments of the
Accounting Officer**

Query is accepted. Will be rectified in the final accounts of 2020 by journal entries.

1.3.2 Contingent Liabilities

Audit observation

A company conducting an Entertainment Garden in the Kalu Aggala village had not paid the entertainment tax. The Sabha had filed a case in this connection, in the Avissawella District Court. The owners of the entertainment garden had also filed a case against the Sabha. The case had not been settled yet.

Recommendation

Immediate action should be taken to recover the entertainment tax due.

Comments of the Accounting Officer

A sum of Rs. 84,000 had been paid as legal charges. The case had not been settled and a verdict given up to now. Immediate action will be taken no sooner the verdict is obtained.

1.4 Non - compliance

1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non compliance	Recommendation	Comments of the Accounting Officer
	Rs.			
(a) Sections 127 and 128 of the Pradeshiya Sabha Act No. 15 of 1987	-	Activities relating to acquisition of 26 crematoriums of the Sitawaka Divisional Secretariat area and 27 crematoriums of the Padukka Divisional Secretariat area had not been finalized.	Activates relating to acquisition should be intensified.	Survey maps, title deeds, vesting orders to confirm the ownership of crematoriums maintained by the Sitawaka Pradeshiya are not in possession of the Sabha. As such, requests had been made to Divisional Secretaries to vest the ownership with the Sitawaka Pradeshiya Sabha. Accordingly, copies of requests for surveying made

to the Survey Superintendent had been forwarded to the Pradeshiya Sabha.

Accordingly, future steps are being taken in collaboration with the Sitawaka and Patukka Divisional Secretariats for acquisition of crematoriums.

(b)	Planning Circular No. 15 of the Urban Development Authority No. 15 of 18 November 1993	6,124,904	Service charges recovered by the local authority had been deposited in a bank on behalf of the Urban Development Authority. However, this had not been utilized for an identified project.	Activities should be intensified and the projects should be executed after obtaining the approval of the Urban Development Authority.	An estimate for Rs. 4,995,000 to construct the proposed latrine system at the Kalu Aggala Trade Complex had been forwarded to the Urban Developments Authority on 10.08.2020 . It has been informed that necessary action had been taken in this regard.
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2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs. 47,958,426 as compared with the excess of revenue over expenditure of the preceding year amounting to Rs. 25,357,963.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2019				2018			
	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December	Estimated Revenue	Revenue billed	Revenue collected	Total Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	32,543	28,683	28,652	8,087	32,149	26,875	25,994	7,490
(ii) Rentals	23,428	26,944	25,470	2,812	23,445	24,800	24,235	886
(iii) Licence Fees	2,101	1,996	1,996	-	2,016	2,122	2,122	-
(iv) Other Revenue	273,936	253,892	185,502	203,510	212,562	198,691	212,898	130,504
	332,008	311,515	241,620	214,409	270,172	252,488	265,249	138,880

2.2.2 Rates and Taxes

Audit observation	Recommendation	Comments of the Accounting Officer
<p>(a) Rates</p> <p>The arrears of rates as at end of the year under review included an arrears of Rs. 2,075,876 ranging from 3 to 10 years.</p>	<p>Action should be taken to recover arrears of revenue without delay.</p>	<p>The sum of Rs. 324,794.46 lying as arrears for 3-10 years are old balances which cannot be identified. Many verifications were made. But, could not be identified. The approval of the Sabha had been obtained and referred to the office of the Assistant Commissioner of Local Government for write off. Action is being taken to recover the balance.</p>
<p>(b) Acreage Tax</p> <p>The arrears of acreage tax at the Padukka Sub office as at 31 December 2019 amounted to Rs. 48,561. Of these, Rs. 32,725 related to over 10 years.</p>	<p>Action should be taken to recover arrears of revenue without delay..</p>	<p>Action is being taken to recover the balance of arrears.</p>

2.2.3 Courts Fines

Audit observation	Recommendation	Comments of the Accounting Officer
The revenue from court fines receivable for 2017, 2018 and 2019 amounted to Rs. 35,419,847.	Action should be taken to recover arrears of revenue without delay..	Action had already been taken to prepare schedules for July to December 2017 and for 2018. As such, immediate action will be taken to obtain court fines of 2018 and 2019.

2.2.4 Provincial Council Aid Receivable

Audit observation	Recommendation	Comments of the Accounting Officer
The Provincial Council Aid receivable by the Sabha as at 31 September 2019 amounted to Rs. 24,858,076. Of this, Rs. 6,403,031 related to balances due for a period of 01 to 05 years.	Action should be taken to settle balances receivable.	Action is being taken to settle balances receivable.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act No. 15 of 1987 such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Delay in Fulfilment of functions

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sitawaka Pradeshiya Sabha had entered into agreements for 55 constructions valued at Rs. 25,616,233 during 2019. The work had not been completed even by 31 December 2019.	Constructions should be completed as planned.	The value of 55 constructions for which the Sitawaka Pradeshiya Sabha had entered into agreements amounted to Rs. 25,616,233.

(b) Environmental Problems

Audit Observation

Necessary action had not been taken regarding noise pollution and the adverse health condition, caused, to the residents around the hostel zone where vehicles are repaired, maintained and painted.

Recommendation

Suitable action should be taken without delay.

Comments of the Accounting Officer

It is kindly informed that a case No. 54527 had been filed in the Magistrates Court, Avissawella against the centre operating for repairs to vehicles, maintenance and painting work within the hostel zone.

3.2 Human Resources Management

Audit Observation

There were vacancies for posts in secondary level and 16 vacancies for posts in primary level as at 31 December 2019.

Recommendation

Vacancies in essential posts should be filled.

Comments of the Accounting Officer

The Commissioner of Local Government had been informed of these vacancies. It is kindly informed that the appointments for vacancies in posts are being made by the Provincial Public Service Commission.

3.3 Operating Inefficiencies

Audit Observation

The rent of stalls at Hanwella, New Trade Complex and the Hanwella old Trade Complex had been re-assessed from 01 November 2018. The shop owners had rejected the newly assessed amount. As a result,

Recommendation

Action should be taken to recover stall rent at the revised assessment rate.

Comments of the Accounting Officer

The stall owners had appealed against the stall rent furnished by the Department of Valuation for stalls at the Hanwella, New Trade Complex to be effective from 2018.11.01.

the Sabha had been deprived of Rs. 3,877,650 being difference between the newly assessed stall rent and the old stall rent.

The appeal had been forwarded to the Department of Valuation and the above mentioned rent had been revised. But, it had not been implemented, as it was not accepted at the meeting of the Sabha. However, this had been accepted at the general council meeting on 10.08.2020. Accordingly, action will be taken to recover the stall rent at the revised rate with the arrears of Rs. 3,877,650.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Adequate internal audit had not been carried out regarding the operating activities of the Sabha during the year under review.	Efficient internal audit should be carried out.	Internal audit had been carried out in 2019. The office and various divisions had been examined from time to time and instructions had been given to maintain correct documents.

4.2 Non – implementation of Decisions of the Provincial Accounts Committee

Audit Observation	Recommendation	Comments of the Accounting Officer
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The directions of the Provincial Accounts Committee held on 14 June 2018 regarding paragraph 1.3(a) of the Auditor General's report of 2013 had	Directions of the Public Accounts Committee should be attended to without delay.	Newspaper advertisements had been published for the second time on 28.02.2020 to auction the tractor RA – 7616 which was not suitable

not been implemented even by 31 December 2019.

for usage. However, no quotation had been received. As such, the finance committee decided on 28.02.2020 that it was suitable to sell the tractor. The unused hand tractor No. SL-7792 had not completed 10 years from the time of purchase. As such, the approval of the Chief Secretary (W.P) had been sought for its disposal. Approval has not been obtained yet.

3.4 Assets Management

3.4.1 Non confirmation of safety of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to 137 lands valued at Rs. 773,359,759,927 allocated to the Sabha for common amenities fix name boards and develop it. Action had not been taken to develop 37 lands for common amenities with boundaries.	Boundaries of lands should be identified, name boards fixed and lands developed to confirm ownership.	No comments

3.4.2 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Entire ownership of the Hanwella week end fair had not been handed over to the Sabha to maintain and conduct it which had been	Acquisition and follow up action should be intensified.	It was decided at the discussions held at the office of Director General, Urban Development Authority to hand over the fair after

constructed by the Urban Development Authority. As a result, the Hanwella fair could not be held there yet.

building the remaining 100 stalls.

(b) The Padukka weekend fair and the Padukka playground established on as 2.9425 hectare land had not been acquired yet.

Acquisition and follow up action should be intensified.

Many verbal requests had been made on various instances. It was decided at the discussion held on 10.07.2020 to instruct the land development division of the Urban Development Authority to rest the ownership of both to the Pradeshiya Sabha.

3.4.3 Idle / Under utilized Assets

Audit Observation

The crematorium constructed at Thunnana at a cost of Rs. 21,589,738 remained idle for over one year. The generator at this place had been damaged by lightning this had not been repaired.

Recommendation

The Generator should be repaired without delay for public usage.

Comments of the Accounting Officer

The company dealing with the contract had furnished quotations for repairing the generator.