

**Kalpitiya Pradeshiya Sabha**  
**Puttalam District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented to audit on 29 March 2019 and the Summary Report and the Detailed Management Report of the Auditor General on the financial statements had been forwarded to the Chairman on 30 May 2019 and 26 July 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effects 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 Kalpitiya Pradeshiya Sabha as at 31 December 2018 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**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) The Sabha had only accounted the cost of construction of the building instead of accounting the assessed value of both land and buildings.	Valuation of the land and building should be accounted.	The instruction has been given to the subject officer to obtain a valuation report of the land and buildings in the year 2019.
(ii) Salary reimbursements receivable for the year under review had been understated by Rs. 105,300.	Action should be taken to correct the account.	There a mistake and will be rectified in the year 2019.
(iii) Two name boards installed at the Kalpitiya Bus Stand and the Kalpitiya Weekly Fair valued at Rs. 131,100, one ladder cost of Rs. 63,300 and Rs. 19,600 the value of 05 UPS had not been capitalized during the year under review.	It should be accounted as fixed assets.	It will be rectified and accounted in the year 2019.

**(b) Un-reconciled Accounts**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The difference between the balance as per the schedules/ subsidiary books of 04 accounts and balance as per financial statements had been amounted to Rs. 255,123.</p>	<p>-----</p> <p>Accounts should be reconciled by comparing the difference in the balance sheets of the financial statements and schedules of accounts.</p>	<p>-----</p> <p>Action will be taken to correct the difference in the deposit register amounted to Rs. 232,478 from coming several years and the difference in schedules in the acreage taxes and lease rent for meat shops in the future.</p>

**(c) Accounts Receivable and Payable****(i) Accounts Receivables**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The value of 09 accounts receivable as at 31 December 2018 totalling to Rs. 75,695,913. Out of this, a sum of Rs. 10,694,549 carrying forward over a period of 05 year.</p>	<p>-----</p> <p>Action should be taken to recover the receivables early.</p>	<p>-----</p> <p>Action will be taken to recover the arrears and settle the advances early.</p>

**(ii) Accounts Payables**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The value of 08 accounts payables as at 31 December 2018 totaling to Rs. 28,448,075. Out of this, a sum of Rs. 7,517,990 carrying forward over a period of 05 year.</p>	<p>-----</p> <p>Action should be taken to settle the payables early.</p>	<p>-----</p> <p>Action will be taken to pay the expenditure to the Pension Fund, take over lapsed deposits to income.</p>

**(d) Lack of Documentary evidence for Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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Evidence for 08 items of accounts totalling to Rs. 259,705,106 had not been made available to audit.	Written evidence confirming the account balances shown in the financial statements should be submitted.	The relevant documents and schedules were not been submitted to audit as they were not updated. Action will be taken submit.

**1.4 Non-compliances****1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**

The following non-compliances with laws, rules, regulations and management decisions were observed in the audit.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>(a) Pradeshiya Sabha Act No 15 of 1987</b>			
(i) Section No 136	Action had not been taken to bill and recovers the rates and tax and the acreage tax in respect of leased or rented out property belonging to the Sabha.	Action should be taken in accordance with the provisions of the Act.	The assessment has been done by the Department of Valuation and action will be taken to recover the rates and taxes from the relevant lessees.
(ii) Section No 158	Action had not been taken to collect arrears of rates and tax and the acreage tax by restraining the movable and immovable property of those who has to pay taxes.	Action should be taken in accordance with the provisions of the Act.	Actions are being taken to restraining movable property of defaulters who exceed Rs. 10,000.

(b) **Pradeshiva Sabha Rules  
(Finance &  
Administration) of 1988**

(i) Rule No 5 (7)	An internal audit had not been carried out properly in respect of financial and storage activities.	Action should be taken in terms of Rules.	Action will be taken to pay more attention for financial and storage activities while auditing has already been started.
(ii) Rule No 59	A survey of trade ventures and business in the Sabha area and list had not been prepared.	Action should be taken in terms of Rules.	Action will be taken to conduct the survey in 2019 and submit lists as per relevant Rules.
(iii) Rule No 65	A list of names of defaulters had not been prepared.	Action should be taken in terms of Rules.	Action will be taken in accordance with the Financial Rules in 2019.
(iv) Rule No 218	A Board of Survey had not been appointed to check all the lands and buildings of the Sabha at least once in a year.	Action should be taken in terms of Rules.	Action will be taken to submit assets records correctly in 2019.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 35,068,615 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs. 20,987,905.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue**

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

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'	Rs. 000'
Rates and Taxes	2,225	3,204	1,739	10,521	1,664	2,363	7,099	10,049
Lease Rent	10,968	10,056	8,643	7,179	12,139	9,721	8,349	6,885
License Fees	4,136	2,607	2,607	60	3,800	2,665	2,665	63
Other Revenue	96,116	91,566	48,143	43,424	83,626	67,771	12,760	27,504
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Total	113,445	107,433	61,132	61,184	101,229	82,520	30,873	44,501
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- ❖ The Collected Revenue includes the collections made to Billed Revenue for the year under review and the collections from arrears of past years.

### 2.2.2 Revenue Collection Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the overall performance in revenue collection of the Sabha had been improved compared to last year, there had been weaknesses in the collection of rates and tax, acreage tax and water tax revenue.	Action should be taken to collect the receivables early.	Instruction has been given to collect arrears of rates and tax, to recover acreage tax as per the survey and to collect water tax after renovation of the pipe line.

### 2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to the registers at the end of the year under review, the arrears of rates and tax was Rs.9,122,757, out of these a sum of	Action should be taken to collect the arrears of income early.	The valuation amendment has been done in 2010 after 1990 and the payment has become a problem as the value of the assessment has given up.

Rs.2,642,839 in arrears for more than 1 year and less than 5 years and Rs.5,180,223 was over 5 years.

Actions are being taken to recover these amounts as installments.

#### 2.2.4 Acreege Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>According to the registers at the end of the year under review, the acreage tax was Rs. 829,162, out of these a sum of Rs. 506,555 in arrears for over 5 years and Rs. 297,565 was 1 year and less than 5 years.</p>	<p>-----</p> <p>Action should be taken to recover the receivables and to keep the revenue records up to date.</p>	<p>-----</p> <p>A team has been appointed to survey the acreage tax. Accordingly, instruction has been given to recover the arrears.</p>

#### 2.2.5 Lease Rents

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>According to the registers at the end of the year under review, the lease rental was Rs. 7,178,620, out of these a sum of Rs. 4,712,873 in arrears for over 5 years and Rs. 787,243 was for more than 1 year and less than 5 years.</p>	<p>-----</p> <p>Action should be taken to recover the revenue early.</p>	<p>-----</p> <p>Valuation of the shop rent leasing has been carried out accordingly. It was instructed to enter into new agreements and collect arrears accordingly.</p>

#### 2.2.6 License fee

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>There were arrears of license fees amounting to Rs. 60,415 from 83 businesses during since 1980 to 2010.</p>	<p>-----</p> <p>Action should be taken to recover the revenue early.</p>	<p>-----</p> <p>Out of this amount of Rs. 9,500 has been recovered and since the arrears amount in from fishing migrants and it is unable to recover and the request has been made to the</p>

Commissioner of Local Government to obtain an approval to write off.

### 2.2.7 Other Income

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(i) There is no program to register three-wheeler parking places in the authority area of the Sabha and to charge fees.	Action should be implemented a charging program for three-wheeler parking places.	Currently, 12 three wheeler societies have been registered action will be taken to register others in the future.
(ii) The water project of the Pradeshiya Sabha had provided water connections to nearly 200 houses and business places and there were arrears amounting Rs. 381,166 as at 31 December 2018. The Sabha had billed at a rate of Rs. 30 per month from a house and Rs. 75 from a business place regardless of consumed number of units and according to the Schedule of Arrears, there were arrears of balances ranging from Rs. 240 to Rs. 12,037. There were places not paid water bills for more than 12 years.	Action should be taken to recover the revenue and to charge based on used units of consumed water.	It is a 40 year old water project. Action will be taken to recover these arrears.

## 2.2.8 Court Fines and Stamp Duty

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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As at 31 December, a sum of Rs. 7,497,275 as court fines and Rs. 41,693,654 as stamp duty had to be recovered from the Chief Secretary of the Provincial Council.	Action should be taken to recover the court fines and stamp duty early.	Action will be taken to recover the court fines and stamp duty.

## 3. Operating Review

### 3.1 Performance

The matters revealed in respect of execution of activities that should be executed under section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

#### (a) By-laws

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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In addition to the 42 normal by-laws adopted by the Local Authorities under Section 126 of the Pradeshiya Sabha Act, the Sabha had adopted 12 new by-laws and a proposed by-law had been presented to obtain for an approval.	Action should be taken to adopt the relevant by-laws.	Accepted.

#### (b) Action Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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An annual action plan had not been prepared that should include activities aimed at achieving the objectives set out in the Pradeshiya Sabha Act with a long-term vision in terms of paragraphs 4 (a) to (f) of the	Action should be taken accordance with the relevant circular.	Action will be taken to comply with the Public Finance Circular No. PC / REC / 01/04/2014/01.

Public Finance Circular No. PC / REC / 01/04/2014/01 and 17 January 2014 and the financial and physical progress had not been presented in the Annual Development Plan prepared for the year 2018.

**(c) Not Making Provisions**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Out of the 61 works valued at Rs 5,940,000 to be completed in 2018, only 39 works valued at Rs 3,700,000 had been completed at the end of the year under review and 14 of the credit allocated works had not been executed.</p>	<p>-----</p> <p>Action should be taken to execute the relevant work.</p>	<p>-----</p> <p>After the appointment of the council in April 2018, priority had been given to the development proposals submitted by the Hon. Members and some of the 2018 budget proposals only had to be fulfilled. Out of the 61 development proposals submitted by the Hon. Members only 6 were unable to be fulfilled and 55 works were completed.</p>

**(d) Solid Waste Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Only 1 load of 4 tractor loads of garbage collected per day in Kalpitiya town only been used for composting yard from garbage generated in a Pradeshiya Sabha area out of 223 square kilometers. Garbage collected in other areas is dumped in open areas of those areas. A sum of Rs. 6,307,057 had been received under the Pilisaru Project of the Central Environmental Authority and a bail machine</p>	<p>-----</p> <p>The electricity required to operate the relevant machines should be obtained early. Action should be taken to address the shortcomings promptly.</p>	<p>-----</p> <p>The Solid Waste Center has a cutter and it is not in operation yet as it requires three phase of electricity supply to operate. A request has been made to obtain three phase electricity for this purpose. The bale machine was received in the year under review and in operation since it was received. A request has been made through the Land Reform Commission to acquire the land and a letter</p>

valued at Rs. 784,300 under Puraneguma Project as a grant and a sum of Rs. 280,000 had been spent on the machines from the Sabha fund during the period from the year 2012 to 2018 to construct buildings in the compost yard. The machines were idle as there was no three phase electricity available to the compost yard. The compost fertilizer sales amounted to Rs. 48,894 and other income of Rs. 34,465 had been received in 2018. Action had not been taken to acquire the land in the Solid Waste Management Center until the date of audit 10 May 2018. Also, by-laws have been imposed on solid waste management, but a methodology had not been implemented against violators of garbage laws. Further, although the Sabha had provided provisions for sanitary laborers motivation and insurance coverage, those were not implemented.

has already been sent to the Sabha regarding the allocation of 5 acres of land.

Sanitary workers and Solid Waste Center workers are participating annually to medical clinics. Even last year, workers were sent to the Kalpitiya Health Medical Officer's office for medical clinics. All workers and officials of the Solid Waste Management Center had participated to waste management training programs held at the Nattandiya Pradeshiya Sabha and the Mahawa Pradeshiya Sabha.

**(e) Sustainable Development Goals and Objectives**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The Sustainable Development Goals and Objectives had not been included in the 2018 Plan as the Council was not aware that the Sustainable Development Goals and Target Plans</p>	<p>-----</p> <p>Action should be taken to identify relevant goals and objectives and to implement towards achieving them.</p>	<p>-----</p> <p>Action will be taken to include into 2020 budget to implement programs and provisions have been allocated.</p>

should be included at the time of the preparation of the 2018 Plan.

### 3.2 Management Inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Annual bill for the water project of the Sabha was Rs. 36,670, but the electricity bill of the water pumping station had been paid more than Rs. 100,000 per year as the income water bill for the year Rs. 16,960. It was not enough to pay even the electricity bill.	Action should be taken to minimize the expenditure and collect the revenue of the Sabha.	After taking a decision to modernize the water supply pipeline and allocate funds by the next year budget. Actions are being taken to install water meters for the water supply and to recover the water charges as scheduled.
(b) The recommendations of the board of survey reports for the year under review and the previous year had not been implemented. Action had not been taken relating to 180 books misplaced last year and 1,158 books misplaced in the year under review.	Action should be taken regarding books misplaced.	Action are being taken for all the misplaced books in the year 2017 and 2018 as per the recommendations of the board of survey report for the year 2018 and the Community Development Officer has been informed to collect the value of the books and the government fee of 25% from those employees.
(c) After assessing the property in 2010, rates and taxes had not been billed by making a temporary valuation of the houses and business premises of which were completed and compliance certificates were issued. Further, the Sabha had been levied rate and tax only for the properties within the Kalpitiya town area. Action had not been taken to assess and	Action should be taken to comply with the rules and regulations.	No comment.

levied rates for the properties in the other towns such as Norochcholai, Kandakkuliya, Madurankuliya and Palakuda and both sides of the Kalpitiya-Palaviya main road.

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| (d) | According to the circular 1980/46 of the Local Government Commissioner, the shop stalls had been assessed in the year 2013 but agreements had not signed with 19 lessees.      | Agreements with lessees should be made.                          | No comment. |
| (e) | There is no program to check whether the Environmental Protection License (EPL) had been obtained before the issuance of trade licenses for businesses coming under industries | Action should be taken to comply with the rules and regulations. | No comment. |

**3.3 Human Resources Management**

**(a) Approved and Actual Cadre**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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The post of Secretary to the Sabha was vacant for several years and 05 posts of secondary grade posts were also vacant.	Action should be taken to fill the vacancies.	The post of Secretary to the Sabha was vacant for several years and so far no suitable Staff Grade Officer has been appointed. Agreement has made to the Provincial Public Service Commission through the Department of Local Government to fill 06 vacancies in the Secondary Grade.

**(b) Outstanding Staff Loans**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The total amount of outstanding staff loan advances was Rs. 5,802,471 as at 31 December 2018. Out of this, a sum of Rs. 124,843 had been in arrears from 48 employees who retired, left or died for more than four years.</p>	<p>-----</p> <p>Action should be taken to recover the outstanding loan balance early.</p>	<p>-----</p> <p>Some employees have informed that they will pay off employee loans in installments. It was unable to inform others as they had been left the area. It has also become a problem to recover the loans of the deceased persons as there was no records.</p>

**3.4 Operational Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>(a) A sum of Rs. 1,984,541 had to be paid to the Local Government Service Pension Fund as contribution as at 31 December 2018, Action had not been taken by the Sabha to pay that amount.</p>	<p>-----</p> <p>Action should be expedited to pay the money to the Pension Fund.</p>	<p>-----</p> <p>Details of the installments need to be paid to the Local Government Pension Fund by the Sabha for the employees who retired prior to 1993, are not available in the record room of the Sabha. Therefore it unable to submit details to the council.</p>
<p>(b) Out of 464 flag poles donated to the Kalpitiya Pradeshiya Sabha by the Ministry of Local Government and Provincial Councils, 115 flags poles valued at Rs. 47,344, had been given to outside parties in previous years. Action had not been taken to get</p>	<p>Action should be taken to protect the assets and regarding misplaced items.</p>	<p>Although it was informed to all of them to hand over the flags poles in writing, they have not yet been handed over.</p>

back those flags poles or recover the values. 31 flags poles in 2017 and 62 flags in 2018 had been misplaced. Any action had not been taken in this regard.

**3.5 Assets Management**

**3.5.1 Assets not recorded**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Items distributed to other Sub offices, preschools, libraries and solid waste centers from Head Office and later they had been taken to other locations but not recorded in stocks/inventory.	The relevant inventory registers should be maintained up to date.	It is informed to the Store Keeper to prepare the inventory register according to the board of survey report, in respect of the items which were not records and taken away to sub-offices, preschools, libraries and other places.
(b) Action had not been taken to remove from the inventory registers and accounts that were destroyed and sold out according to the board of survey.	Action should be taken early according to the survey reports.	No one interested to buy the goods submitted to auction according to assessed amount given by the board of survey.

**3.5.2 Lack of confirm the Security of Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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The projector in the custody of the store keeper of the Sabha had been misplaced and no action had been taken in this regards.	Action should be taken to recover the loss incurred from the officers responsible.	The Community Development Division had taken the projector for a program and it had been misplaced and it was inquired form the officer in charge of the unit. It was a mistake of officer, it was informed to the Head of the Community Development Division to take action to pay

the value of the machine and the 25% government fee.

### **3.5.3. Idle and Underutilized Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The Pilisar Project had given a garbage crushing machine valued at Rs. 225,000 in previous year and garbage crushing machines in the year under review valued at Rs. 784,300. Those were not utilized as there was no three phase power supply.</p>	<p>-----</p> <p>Action should be taken to obtain electricity early.</p>	<p>-----</p> <p>Since the garbage crushing machine received from Pilisar project, is required three-phase power applied for the three phase electricity supply.</p>

## **4. Accountability and Good Governance**

### **4.1 Internal Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>Adequate internal audit of the financial and operational functions of the Sabha had not been carried out during the year under review.</p>	<p>-----</p> <p>Action should be paid more attention to comply with the audit plan.</p>	<p>-----</p> <p>As the Internal Audit Officer is assigned several other subjects besides the Internal Audit subject, internal audit has not been conducted due to the difficulty of managing the time. Action will be taken to rectify this deficiency.</p>