

Kebithigollewa Pradeshiya Sabha  
Anuradhapura 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 2018 had been presented to the Audit 29 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 31 May 2019 and the detailed management audit report had been submitted on 12 July 2019.

**1.2 Qualified Opinion**  
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In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Kebithigollewa 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**  
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**(a) Accounting Deficiencies**  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer. -----
(i) Stamp Duty Revenue for the year under review had not been recognized and accounted for.	Relevant revenue should be identified and accounted for	Accepted.
(ii) Other income receivables amounting to Rs. 117,597 relating to the year under review had been brought to account under the revenue assistance.	The revenue should be correctly classified	Accepted.
(iii) The value of the Tender Deposit Account that had been in existence for several years amounting to Rs. 3,707,731 had been brought to account as tender rental income for the year under review.	Action should be taken to correct it.	Accepted.

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| (iv) | The value of the eight items of assets purchased during the year under review amounting to Rs. 1,604,320 had not been accounted for.  | Assets should be properly accounted for. | Accepted.   |
| (v)  | Out of the stock of galvanized tubes handed over to the Sabha by the Department of Divineguma Development in 2014, value of 188 tubes of Rs. 208,143 had been accounted for twice under the fixed assets. | Assets should be properly accounted for. | Accepted.   |
| (vi) | The value of the Heller machine that had been given to the Pilisaru Center had not been identified and accounted for.   | Assets should be properly accounted for. | Accepted.<br>Action will be taken to account for the year 2019. |

(b) Unreconciled Accounts

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Audit Observation

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Recommendation

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Comments of the  
Accounting Officer

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The balance of the Capital Expenditure Account as at 31 December of the year under review was a sum of Rs. 15,332,885 as per the financial statements and it was Rs. 15,262,885 according to the General Ledger, thus observing a difference of Rs. 70,000.

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Differences of the relevant balances should be reconciled and accounts should be corrected.

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Accepted.

(d) Accounts Receivable and Payable

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Audit Observation

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Recommendation

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Comments of the  
Accounting Officer

- (i) Action had not been taken to recover two accounts receivable balances amounting to Rs. 31,763 that had continued to exist since a period before 03 years.

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Action should be taken to recover

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Accepted.

- (ii) Action had not been taken to settle the tender deposits amounting to Rs. 3,969,364 which had been in existence for a period of 5 to 10 years. Action should be taken to settle. Accepted.
- (iii) Action had not been taken to settle the water supply debtors balance of Rs. 527,221 that had been in existence for more than a period of 05 years. Action should be taken to settle. Accepted.

(d) Lack of necessary documentary evidence for audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Since detailed schedules, revenue records and schedules pertaining to 09 items of accounts worth Rs. 21,192,252 had not been made available, those could not be satisfactorily verified in audit.	Necessary documentary evidence should be furnished to verify the matter.	Accepted.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Financial and Administrative) Rules, 1988			
(i) Rule 59	Although a survey on business and industrial taxes in the area of authority of Sabha should have been conducted, it had not been so done.	Rules should be complied with.	The survey for the year 2019 has been conducted.

(ii)	Rules 217 and 218	A register in terms of Form P.S.46 had not been maintained on the lands and buildings belonging to the Sabha and action had not been taken to inspect all the lands and buildings once in year.	Rules should be complied with.	Action will be taken in accordance with the instructions in the future.
(b)	Treasury Circular IAI / 2002/02 dated 28 November 2002 of the Secretary to the Treasury	No separate fixed asset registers for computer accessories and software had been maintained.	Action should be taken in accordance with the Circular.	The register on computer accessories and software is being maintained.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 1,649,539 for the year ended 31 December 2018 as against the expenditure in excess of the revenue amounting to Rs. 1,687,482 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given 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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	850,000	832,985	832,985	-	510,000	570,400	570,400	-
Rents	7,715,924	8,926,673	9,024,562	226,136	5,423,907	3,997,458	3,673,433	324,025
Licence fees	2,290,000	473,020	473,020	-	535,000	1,161,543	1,161,543	-
Other Revenue	18,010,943	14,148,149	15,580,953	1,275,609	2,460,000	16,166,578	13,458,165	2,708,413
<b>Total</b>	<b>28,866,867</b>	<b>24,380,827</b>	<b>25,911,520</b>	<b>1,501,745</b>	<b>8,928,907</b>	<b>21,895,979</b>	<b>18,863,541</b>	<b>3,032,438</b>

### 2.2.2 Rates and Taxes

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#### Audit Observation

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In terms of section 134 (i) of the Pradeshiya Sabha Act No.15 of 1987, no action had been taken to identify the developed areas of the pradeshiya Sabha limit and impose assessment tax.

#### Recommendation

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Steps are being taken in accordance with the Act.

#### Comments of the Accounting Officer

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Further work is being done by identifying and mapping the developed areas.

### 2.2.3 Other Revenue

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#### Audit Observation

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During the year under review, the renting of vehicles and machinery owned by the council had been done without obtaining formal approval and no rent was charged based on the number of working hours or kilometers run.

#### Recommendation

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Rent should be charged per machine hour and number of kilometers

#### Comments of the Accounting Officer

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Rent has not been charged on machine hours and kilometers, since services are provided based on council decisions and common requests. It was noted down to take steps as stated with effect from the month of July.

### 2.2.4 Court fines and stamp Duty

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#### Audit Observation

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The court fines and stamp duty that were due as of 31December, 2018 were Rs. 918,259 and Rs.357,350 respectively.

#### Recommendation

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The income of the year should be recovered efficiently.

#### Comments of the Accounting Officer

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It is informed that only the balances stated by the end of the year 2018 is available.

## 03. Operating Review

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### 3.1 Performance

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Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and

promotion of the comfort, convenience and welfare of the people to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a). By-laws

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Audit Observation

Recommendation

Comments of the  
Accounting Officer

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By-laws had not been enacted for the fulfilment of 28 main matters under section 126 of the Pradeshiya Sabha Act.

The Pradeshiya Sabha Act should be implemented by enacting by-laws.

Activities have been delayed due to inadequate knowledge of the Sabha officers to draft by-laws.

(b). Action Plan

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Audit Observation

Recommendation

Comments of the Accounting  
Officer

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No Annual Action Plan had been prepared.

An Action Plan should be prepared.

An action plan could not be prepared. Action is being taken to prepare an action plan for the year 2019.

(d). Sustainable Development Goals

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Audit Observation

Recommendation

Comments of the Accounting  
Officer

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The Sabha was unaware of the United Nations Agenda 2030 for Sustainable Development Goals.

The Sabha should carry out duties and functions relating to achieve the 2030 Sustainable Development Goals.

It is informed that the criteria will be used to prepare the 2020 budget.

3.2 Management Inefficiencies

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Audit Observation

Recommendation

Comments of the Accounting  
Officer

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(a). Forty one journal entries valued at Rs. 231,751,690 for the year under review had been accounted for

Journal vouchers must be prepared and approved for journal entries

Accepted.

without any approval and the officers responsible for the accounting activities had not properly carried out supervisions.

- (b) No action had been taken to get back the 88 galvanized tubes worth Rs. 97,429 which had been handed over to then Chairman and the Members in the year 2014.

Action should be taken to take over the assets belonging to the Sabha.

Matter was informed in writing and orally. If not returned, charges will be recovered based on the market valuation.

### 3.3 Human Resource Management

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#### Audit Observation

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#### Recommendation

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#### Comments of the Accounting Officer

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- (a) As at 31 December of the year under review, there were 18 vacant posts in the Sabha and there were only one excess post

Employee vacancies should be filled and operational efficiency should be increased

The Commissioner of Local Government has been informed of the vacancies.

- (b) There was a loan balance of Rs. 81,161 due from an officer who had vacated the service and 03 retired officers that had continued to exist over a number of years as at 31 December of the year under review.

Employee loans should be recovered on time.

Action is being taken to recover the debts of the officers who vacated the service and the details of the debts of the retired officers have been sought from the Director of Pensions

### 3.4 Assets Management

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#### 3.4.1 Failure to Document the Assets

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#### Audit Observation

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#### Recommendation

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#### Comments of the Accounting Officer

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Values of the trade stalls of the Pradeshiya Sabha situated at the Bus Stand, Kebithigollewa Library Buildings, shops at the Wahalkada Weekly Market along with the toilet system and Wahalkada Library Buildings had not been assessed and accounted for.

The assets should be valued and accounted for.

By collecting all the information, action will be taken to obtain assessment report in order to take over them to the Pradeshiya Sabha.

### 3.4.2 Assets that have not been transferred

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#### Audit Observation

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Seven vehicles worth Rs. 6,209,763 used by the Sabha had not been taken over by the Sabha as at 31 December of the year under review.

#### Recommendation

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Action should be taken to vest the assets of the Sabha in the Sabha.

#### Comments of the Accounting Officer

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The Ministry of Local Government is in the process of taking the next step to be taken.

### 3.4.3 Idle and Underutilized Assets

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#### Audit Observation

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- (a) Foton Tractor worth Rs. 2,175,000 received by the Sabha in the year 2016 had been parked in the Sabha premises from the year 2016 up to date without being used for any purpose.

#### Recommendation

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Action should be taken to use the idled assets.

#### Comments of the Accounting Officer

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At present there are sufficient tractors for essential services and since there is no sufficient number of drivers to assign for the tractors, those have been parked.

- (b) Three vehicles worth Rs. 1,227,950 parked in the Sabha premises had remained inoperative as at 31 December of the year under review and action had not been taken to repair and use them or dispose of in terms of State Finance Circular No.02/2015 dated 10 July 2015.

Action should be taken to repair and use or dispose of the vehicles that are inoperative.

Steps have been taken to repair the motor bicycle and take over the ownership of the other two vehicles.

- (c) The Sabha had not taken steps to repair and utilize the generator worth Rs. 500,000 that had been insecurely retained unused in the premises over a number of years or to be kept in safe custody.

The generator must be repaired, secured and used.

Not replied.



## 3.5 Procurement

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## Procurement Plan

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## Audit Observation

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A Procurement Plan had not been prepared.

## Recommendation

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A Procurement Plan should be prepared.

## Comments of the Accounting Officer

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Necessary steps are being taken to prepare Procurement Plan.

## 4. Accountability and Good Governance

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## Implementation of Audit and Management Committees

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## Audit Observation

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According to the circular No. DMA / 2009 (1) (i) dated 28 January 2016 issued by the Management Audit Department of the Finance Ministry, the Audit and Management Committees for the year 2018 had not been held

## Recommendation

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Audit and Management Committees shall be held in accordance with the Circular

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## Comments of the Accounting Officer

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Action will be taken to conduct audit and management committee meetings this year.