

Kegalle Pradeshiya Saba
Kegalle District

1. Financial Statement

1.1 Presentation of financial Statement

The Financial Statement for 2018 were submitted to the audit on 25 February 2019 , the Auditor General's Summary Report on this Financial Statement and Detail Management Audit Report have been sent respectively on 31 May 2019 and 25 June 2019 to the chairman.

1.2 Qualified Opinion

In my opinion , except for the effects of the matters describe in basis for the qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Kegalle Pradeshiya Saba as at 31 December 2018 and its financial performance for the Year then ended in accordance Generally Accepted Accounting Principles.

1.3 The basis of the Qualified opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting officer -----
(i) Rs.1,450,000 for the road rollers purchased in 2019 under the provisions of 2018 Rs. 2,033,000 was allocated for this purpose. 583,000 reflecting increased credit balance.	Accounts need to be rectified	Provision has been made by the Supplementary Estimate of Rs.2,033,000 to purchase a new road roller for 2018. As per the recommendation of the technical committee, Rs.1,450,000 of valued Road roller have been purchased under the creditor provisions. Therefore Rs.583,000 of excess provision, was reversed to the cumulative fund account when preparing final accounts for 2019.
(ii) Audit fee had not been provided for 2018.	Provision should be made for expenses to be paid.	Mistakenly, audit fee had not been provided under creditor provision for year of 2018. And it will be paid through current year cumulative fund.

(b) Unreconciled accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting officer -----
(i) Rs.5,228,843 of variance has been noted between current year financial statements and 07 accounts balances and its supporting documents.	Relevant account balances should be reconciled and final account should be rectified.	Steps will be taken to investigate and rectify this issue promptly.
(ii) Value of assets including, Land, buildings, vehicles, office equipment, Stationaries and inventories value were Rs. 165,995,470. However as per the Board of survey reports, it shows Rs. 167,197,521 value with a difference of Rs.1,202,051.	This should be compared and accounts should be rectified.	Value of land & building has been reconciled with the fixed asset register. Therefore it is assumed that, this difference arises from the office equipment account and it will be rectified after conducting an investigation.

(C) Receivable and Payable Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting officer -----
(i) Construction receivable balance over one year as at December 31, 2018 was Rs. 2,250,646.	Action should be taken to recover the outstanding balances.	There is a grace period of 3 months for the payment of 10% withholding of Construction which are under the decentralization of PCs and other financial sources. Some Construction are going forward to next year. According to this reason over one year receivable and payable balances are created.

- (ii) Payable balance over one year as at December 31, 2018 was Rs. 3,810,292. Payable balances should be cleared. Pension contribution balance under the payable balances, had been allocated for number of years. After getting the information from the department of pension and it will be released in future. Existing balances of industrial deposits and miscellaneous deposits are not exceeded two years and steps will be taken to settle these amounts in future.

1.4 Non-compliance

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

Reference to Laws, Rules and Regulations	Amount	Non compliance	Recommendation	Comments of the Accounting officer
(a) section 158(a) of the Pradeshiya Sahba Act No15 of 1987	Rs. 492,399	Excise duty and acreage tax which lasts for more than one year According to the Act, the property of the owner was not restrained or the money was recovered.	Should comply with the provisions of Act.	Steps have been taken to send Red Notices on all properties which have been in arrears for more than two quarters since this year. Property bans were made in 2018, and 76% of the total deficit was recovered by December 31, 2018. Action will be taken to continue the prohibition of mobile services and

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka	232,231	No action was taken in respect of pension contributions and 9 Construction deposits deposited in the year 2015.	Comply with the Financial Regulations.	property in order to collect the remaining balance. Accordingly, in the year 2019, I will take legal action against property that is difficult to find.
(i) Financial Regulations 571(ii)&(iii)	232,231	No action was taken in respect of pension contributions and 9 Construction deposits deposited in the year 2015.	Comply with the Financial Regulations.	These deposits have been issued 2 years ago in accordance with section FR 571, but they have been exempted from other expenditure heads. Those deposits will be corrected in the 2019 Journals.
(ii) Financial Regulations 1645(b)&(c)	232,231	There were delays in submitting the monthly running charts of the seven vehicles from 5 months to 6 years.	Comply with the financial regulations.	There have been delays for some time periods from 2017, but there are no delays over six years. However, the delayed track record is being processed and will submit it soon.
(c) Paragraph 3.1 of the Public Administration	232,231	Fuel consumption test were not	Action shall be taken as per the provisions of the	Out of the vehicles belonging to the council, the

circular No
30/2016 dated 29
December 2016

conducted on circular.
seven vehicles
in the council.

technical officers of the council have been given the responsibility of performing the Fuel consumption test to the vehicles that have not been tested. From the pointed out 9 vehicles, there are some vehicles that have not completed one year for Fuel consumption test among that there are 3 vehicles which have already tested. For remaining tractors Fuel consumption test will be carried out immediately.

2. Financial Review

2.1 Financial results

According to the financial statements presented, the income beyond the recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs.29,303,136 and correspondingly, the revenue over recurrent expenditure of the previous year was Rs.22,300,233

2.2.1 Estimated revenue, Billed revenue, Accumulated revenue and Deficit revenue

Details of estimated revenue, billing revenue & accumulated revenue and deficit revenue relevant to the current year and previous year can be shown as follows.

	Source of revenue	2018			2017				
		Estimated revenue	Billed revenue	Income Collected	The deficit as at 31 December	Estimated revenue	Billed revenue	Income Collected	The deficit as at 31 December
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I	Rate And Taxes	3,257,700	3,126,224	2,317,131	998,819	3,047,340	3,112,443	2,407,030	1,279,906
ii	Rent	128,000	106,000	120,360	96,341	100,800	172,165	130,250	94,151
iii	Licence fee	600,000	615,000	615,000	-	665,000	671,734	671,734	-
iv	Other Income	57,330,000	74,140,516	33,390,670	39,735,670	52,700,000	53,716,496	29,776,896	42,094,816

2.2.2 Rentals

Audit Observation	Recommendation	Comments of the Accounting officer
According to an estimate in 2008, the arrears of rent in the shops in the Moronthota trade complex rented in 2009 was Rs. 95,989. No actions have been taken to make a new valuation and change the present value.	Action should be taken to recover arrears.	The old complex is being removed and a new complex is being constructed and the stalls of the complex are to be given to the trade community this year under the tender procedure for valuation of the new market. Lessee of No 07 stall has been fully disabled and is living on a subsidy given by the government without any income. Therefore future actions will be taken by after informing commissioner of PC that arrears amount cannot be recovered.

2.2.3 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comments of the Accounting officer
The court fines amounting to Rs. 12,572,617 and stamp duty Rs. 24,116,392 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 st of December 2018.	Action should be taken to collect arrears.	From receivable court fines and stamp duty, amounting Rs. 8,050,684 & Rs. 1,131,099 received in year of 2019 and balance amount has been requested from Provincial Council.

2.2.4 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting officer
Rs.56,781 of amount should be charged as billboard income for the current year.	Actions should be taken to recover the arrears.	Recover of these arrears is very difficult. Due to that by-laws should be prepared in compatible ways and trying to avoid the situation.

3. Operational review

3.1 Performance

Following are the observations on the functions of the Council to regulate and administer public health, public utility service, public roads, the welfare of the people, convenience and welfare of the people had been done by Sabha under section 3 of the pradeshiya sabha act.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Despite the adaptation of 42 by-laws, when publishing the advertisements, have not acted accordingly.	Should act in accordance with the by-laws adopted.	As part of the by-laws, when advertising is levied, a portion is currently in force and some of the impractical conditions have been omitted. However, kindly inform you that action will be taken to draft an amendment to suit the House based on a council decision.

(b) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Rs.5.1 million Of amount has been allocated for repairing 53 roads and including another several projects as per the budget. From that five projects have been completed and another 44 projects	The projects should be implemented as planned.	The budget prepared for 2018 is prepared at the official level. But after appointing new council in April 2018, new projects had to be done.

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are planned to be performed. However only 22 projects have been completed out of 44 projects.

(c) Solid waste management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Due to the absence of a proper waste management program, any income was not earned from waste.</p>	<p>-----</p> <p>Proper programme need to be prepared for solid waste management</p>	<p>-----</p> <p>Basnayake Nilame of Natha Devalaya has verbally consented that to give a land for compost project of management of decaying garbage. For that it was decided to take further actions. According to that few steps have been finished in the basic level of acquiring a land for the compost project.</p>

(d). Environmental Issues

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Since the council did not have a suitable land for disposal of sewage, the Gully service was provided only to those who had the space.</p>	<p>-----</p> <p>Action should be taken to facilitate the people in the area.</p>	<p>-----</p> <p>For now, council does not have a land and when disposing sewage people were informed that a suitable place to find. After the acquisition of the land it has been planned to prepare a waste treatment system and kindly informed to the people that after they can use it.</p>

(e) Sustainable Development Goal

Audit Observation

Although council is aware of the 2030 agenda for sustainable development goals, long term plans for improving the quality of life health of the people of the area are not yet worked out by February 2019 through the global indicators.

Recommendation

Action should be taken to achieve the Sustainable Development Goal

Comments of the Accounting Officer

Council has not prepared a long term plan regarding the sustainable development goals. By giving special attention regarding this, a plan will be prepared for development of the quality of life & health of the people of the area.

3.2 Human Resources Management

Audit Observation

There were eight vacancies in the permanent staff of the Sabha in respect of five categories and two Ayurvedic Medical Officers and two Development Officers who were not on the approved staff were recruited.

Recommendation

Action should be taken to fill the vacancies of approved staff.

Comments of the Accounting Officer

As at 31st December 2018, the approved staff of the Kegalle Pradeshiya Sabha is 80 approved staff including 5 approved posts for personal destruction. Accordingly, there are 71, in addition to 05 on casual basis and 01 on service contracts.

3.3 Asset Management

3.3.1 Non – receipt of assets income

Audit Observation

05 perches of land belonging to the Council was valued at Rs. 10,000 per annum has been leased to the Electricity Board for a period of five years from 2012, but no action has been taken to obtain the lease for the years 2016 and 2017 as per the lease agreement. According to the agreement, the lease was to be re-released at the end of the lease period, but the council had not done so.

Recommendation

Revenue must be entered into in formal agreements.

Comments of the Accounting Officer

Rs. 10,000 per annum from the land owned by the council. As soon as the new valuation report is received, action will be taken to extend the contract period and recover the arrears.

3.3.2 Lack of Security of Assets

Audit Observation

(a) At the time of land allocation in 2012, 26.2 perches of 1 acre land that the council had received for public purposes had been turned into weed. There was no focus on protecting the land and using it for useful purposes.

(b) Steps have not been taken to secure the

Recommendation

Action must be taken to protect and use the assets

Steps need to be taken to ensure the safety of the land

Comments of the Accounting Officer

As a member of each division has been appointed, the relevant officers and members of the council have been working with the councilors to identify the problems of the property and to safeguard its legitimacy. A fixed asset inspection committee has been appointed under Council Decision No. 19/05 / E-26 on assets including cemeteries.

With regard to the cemeteries identified by the field inspection, steps have been taken to secure the cemetery with fences

cemetery with fences to ensure the existence of 14 cemeteries that are included in the fixed assets register.

using fences.

and complete the preliminary work. The 2019 budget has also been allocated in this regard.

3.3.3 Idle / Underutilized Assets

Audit Observation

Central environment authority has recommended that land that was purchased for Rs.4,275,000 in 2014 is not suitable for the waste management project. The land was not used for the some other purpose, therefore it remains as inactive asset.

Recommendation

Action must be taken to utilize non-performing assets.

Comments of the Accounting Officer

After a feasibility study it was observed that the land is not suitable for a waste management project. Therefore, kindly inform you that this land is proposed to be cultivated with a suitable cultivation of tea.

3.3.4 Non Acquired Assets

Audit Observation

Between 2011 and 2015, the Ministry of Local Government and the Sabaragamuwa Provincial Council has provided a sum of Rs. 35,643,361 worth of 5 vehicles and Rs.6,096,000 worth of 3 tractors. No actions have been taken to take over these assets to the council.

Recommendation

Action should be taken to transfer assets.

Comments of the Accounting Officer

The Ministry of Local Government and the Sabaragamuwa Provincial Council have requested the government to hand over the vehicles that have not been vested in the council.

3.3.5 Utilization of vehicle

Audit Observation	Recommendation	Comments of the Accounting Officer
Rs.625,000 worth of double cab, Rs.346,878 worth of tractor and Rs.79,250 worth of tailor that were not in running condition since 2013 and no action had been taken to repair for using these assets.	.Proper action should be taken to use vehicle of the Sabha.	<p>When the Army took away the double cab belonging to the Council No. 53 - 5642, no file was handed over to the Council.</p> <p>The tractor bearing number 49-7101 has been submitted to the Kegalle Depot Engineer for a valuation report for auction.</p> <p>Repairs to the tractor trailer number 67 - 0128 are currently underway.</p>

3.4 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Rs.8,625,529 worth of procurement had been made without preparing a procurement plan for the year.	Procurement plan should be prepared and performed well.	It has been missed out and procurement plan for the year 2019 was prepared.

4. Accountability and good governance

4.1 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>n audit and management committee was set up but no committee meetings were held.</p>	<p>Audit and Management Committee Meetings shall be held in accordance with the Circulars.</p>	<p>Although it is not possible to hold the Management Committee Meeting in the last quarter of 2018, I am kindly informed that the Audit and Management Committee meeting of the first quarter of 2019 was held on March 22, 2019.</p>

