

Kahawatta Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 21 May 2019.

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 Kahawatta 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 the qualified opinion

Audit Observation	Recommendation	Comment of the Accounting Officer
Due to non – submitting of detailed schedules and balance confirmations relevant to 02 account subjects totaling Rs. 1,778,927/- could not be vouched satisfactorily.	Evidences to verify the account balances of financial statements have to be submitted.	Only the information in the asset and liabilities register is available.

1.4 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to laws, rules, regulations and management decisions.	Non-compliance	Recommendations	Comment of the Accounting Officer
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(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371 (2) (c)	06 advances issued from 2010 to 2018 totaling Rs. 65,652/- had not been settled by the end of the year under review.	Actions need to be taken in compliance with the financial regulations.	Have been informed by letters to pay the money.
(b) Section 3.1 of Public Administration Circular No. 30/2016 dated 29 December 2016.	Fuel Consumption Test had not been done in respect of 07 vehicles belongs to the Sabha	Fuel Consumption test need to be done as per the provisions of the circulars.	Actions will be taken to do the fuel consumption test after completing minor repairs relating to the fuel consumption.

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.5,077,670 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.6,817,312.

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	Estimated Revenue	2018			Total arrears as at December 31 st	2017			Total arrears as at December 31 st
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
(i) Rates and taxes	Rs. 3,370,450	Rs. 3,556,133	Rs. 3,431,231	Rs. 1,625,484	Rs. 3,371,486	Rs. 3,480,614	Rs. 4,095,870	Rs. 1,633,246	
(ii) Rent	8,186,805	6,231,484	6,124,980	794,419	8,003,826	5,552,976	5,521,526	686,519	
(iii) License fee	932,450	1,154,617	1,148,867	-	475,130	919,367	925,867	-	
(iv) Other Revenue	9,766,550	8,537,062	11,805,659	11,318,903	8,853,754	9,621,437	5,569,757	15,071,950	

2.2.2 Rates & taxes

	Audit Observation	Recommendation	Comment of the Accounting Officer
(a) (i)	Even though, all the immovable properties within the authoritative area need to be assessed once in a 05 years to charge rates, properties were not assessed after the year 2009.	Properties need to be assessed once in a 05 years period.	Valuation officer have informed that they are coming in April this year to revise the rates.
(ii)	The arrears of rates as at 31 December 2018 amounted to Rs.1,519,901 and it included a balance totalling Rs.333,100 recoverable from 104 units brought forward for over a period of 05 years. Sabha has not been taken necessary steps to recover these outstanding balances.	A formal programme need to be implemented to recover arrears of revenue.	Action will be taken to recover the arrears of revenue by holding a mobile Service Programme.
(b)	Legal actions had not been taken to recover the acreage taxes arrears totaling Rs. 56,745/- brought forward for over 05 years as at end of the year under review.	Formal programme should be implemented in order to collect the arrears of revenue.	A programme is underway to collect the revenue after verification of the acreage taxes.

2.2.3 Rents

Audit Observation	Recommendation	Comment of the Accounting Officer
Shop rents amounting to Rs. 76,100/- and from Fish Stall of the Kahawatta weekly fair amounting to Rs. 144,000/- need	Actions should be taken to recover the receivable balances.	Steps have been taken to take legal actions in order to recover the outstanding balances.

to be recovered relevant to the year under review.

2.2.4 License Fees

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) Even though the relevant institutions had been informed to obtain trade licenses, Sabha had not taken legal actions against the institutions that did not obtain trade licenses. Further, the Sabha had lost an amount of Rs. 12,000/- as 14 trade institutions had not taken trade licenses.	Actions should have been taken to issue trade licenses during a specified time frame.	A report had been called from the Revenue Inspector and the other officer, regarding the institutions that did not take trade licenses.
(b) 26 institutions that should have obtained licenses under the National Environmental Act no. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000 and under the regulations enacted there under, had not obtained environmental licenses and Sabha had not taken legal actions regarding that. Due to that, Sabha had lost a revenue amounting to Rs. 114,400/- and also the Sabha had failed to accomplish its responsibility to protect the environment within its authoritative area.	Actions should be taken to issue licenses to all the institutions that should have obtained environment license, by acting under the relevant acts and regulations.	We are unable to issue these licenses due to retiring of 02 officers of this institution, another 02 officers were on maternity leave and the officer in-charge of the Environment subject went for a teaching post at a school and the remaining officers had to do heavy lot of duties.

2.2.5 Other Revenues

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
An amount of Rs. 357,006/- out of the estimated hoardings revenue for the year under review and an amount of Rs. 606,800/- from 149 hoardings relevant to the previous year, had not been recovered even by the end of the year under review.	Actions should have been taken to recover the outstanding revenue.	They have been made aware by letters and having done an accurate survey, actions will be taken to recover the relevant revenues in the future.

2.2.6 Court Fines and Stamp Fees

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Court fines receivable from the Chief Secretary and other authorities of the Provincial Council as at 31 December 2018 was amounted to Rs. 5,815,777/- and Stamp Fees receivable for the year 2016 has been identified as Rs. 5,949,903/- . Stamp fees due for 2017 and 2018 years has not been identified by the Sabha.	Actions should be taken to recover the arrears revenue having solved the remaining problems regarding this issue.	It is difficult to get the value of court fines and Stamp fees arrears due to non-submission of Court fine and Stamp fees schedules from the relevant institutions.

3. Operational 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) Under Utilization of Allocations

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Even though, an amount of Rs. 14,875,000/- and Rs. 7,655,000/- of capital provisions respectively had been allocated for Physical planning, Road development and Welfare Services during year under review, the actual expenditure incurred were only Rs. 8,623,370/- and Rs. 400,898/- respectively. Accordingly the Sabha had failed to utilize an amount totaling Rs. 13,505,732/- equal to 60 percent of the capital provision.	The sabha has to take steps to collect money for the capital provisions included in the budget in order the reach the budgetary targets.	Due to non- receiving of greater quantity of capital grants we were unable to utilize allocated capital provisions. Number of projects have been completed using council funds.

(b) Solid Waste Management

Audit Observation

Recommendation

Comment of the Accounting
Officer

A formal solid waste management system had not been implemented and the sabha had failed to take over the present land used to dispose the garbage to the name of the sabha.

A formal solid waste management system need to be planned and implemented.

Steps have been taken to take over the plot of land used to dispose garbage and we have planned to implement a formal solid waste management system after the acquisition of the land.

(c) Sustainable Development Goals

Audit Observation

Recommendation

Comment of the Accounting
Officer

Although the Sabha had aware in respect of the sustainable development objectives, actions had not been taken to prepare long term plans to upgrade the life condition and health of the people in the authoritative area of the sabha by the global indicators.

Actions should have been taken to prepare and implement the relevant plans.

Action will be taken to prepare the plans in the future.

3.2 Human Resources Management

Audit Observation

Recommendation

Comment of the Accounting
Officer

Revenue Inspector post is vacant since its date of approval and due to not appointing an officer for that post even by end of the year under review, revenue collection of the Sabha is under a very weak level.

Steps have to be taken to recruit suitable officers for the vacant posts.

Cadre details are sent to the office of the Assistant Commissioner of Local Government on quarterly basis and last quarterly report has been sent on 31 March 2019.

3.3 Operational Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
The Sabha had not taken steps to identify and remove or legalize the unauthorized constructions within the authoritative area of the Sabha.	A programme should be implemented to identify the unauthorized constructions and to remove or legalize them.	There is a problem of correctly identifying unauthorized constructions as our sabha has only one Technical Officer. Already identified unauthorized constructions were not recently constructed and actions will be taken to identify new constructions and to legalize them.

3.4 Asset Management

3.4.1 Not registering assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Even though, sabha has noncurrent assets amounting to Rs. 96,421,105, relevant asset registers were not updated.	Evidences to verify the account balances stated in the financial statements should have been submitted.	Action will be taken to update the fixed asset register after a survey in the future and to prepare detailed schedules

3.4.2 Not doing Maintenance and Repairs

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Even though the tractor which was met with an accident in the year 2011 and handed over to a garage with an advance of Rs. 73,175/- to do the repairs, had not been repaired even by end of the year under review.	Maintenance and repairs of vehicles should be done without delay.	Repair was delayed as spare parts were not available in the market and now repairs are under-way having supplied the spare parts.
(b) Even though, Kahawatta Depot Engineer has recommended that the Double Drum Vibrator Roller Machine worth of Rs. 1300000/-, could be used	Actions should be taken to repair or to sale by auction formally.	Board of Survey has recommended to auction the double drum roller machine and relevant actions are underway to auction it.

after the necessary repairs, was remained idle at the council premises since the year 2013, without repairs.

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| (c) Actions did not have been taken to formally dispose a tractor removed from running 03 years ago due to high cost of repairing and a cab and a trailer condemned even before 2015 | Maintenance and repairs of vehicles should be done without delay and condemned vehicles should have to dispose formally. | Board of Survey has recommended to auction a cab and a tractor and relevant actions are under way to auction them. We hope to repair the other tractor when the financial situation is stable. |
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3.5 Procurement

3.5.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
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Although procurement activities have been done to the value of Rs. 2,238,371/- during the year under review, no procurement plan has been prepared.	Annual procurement plan need to be prepared.	Procurement Plan will be prepared in the future.

3.5.2 Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
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Although an amount of Rs. 199,609/- had been expended to construct a destroyed side wall of 06 meters long, due to inadequacy of it, the soil which had been filled was washing away to the canal near the road.	Development projects should be implemented having planned them properly.	The road was impassable for vehicles after collapsing the old rock wall held at this place and due to submerge of the road. This side wall was constructed under the provisions of Pradeshiya Sabha enable to run the vehicles over this road. At present vehicles are running on this road and it is proposed to the Sabha to allocate provisions to complete the balance during this year.

04. Accountability and good governance

4.1 Budgetary Control

The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Total allocation amounting to Rs. 759,233/- relevant to 26 object codes have been saved.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Provisions were allocated to these expenditure heads expecting expenses.
(b) Out of the provisions totalling Rs.16,628,500 made for 09 Objects, the savings had ranged from 80 percent to 99 percent.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Provisions were allocated to these expenditure heads expecting expenses.

4.2 Audit and Management Committees

Audit Observation	Recommendation	Comment of the Accounting Officer
Actions have not been taken to establish and operate audit and management committees.	Actions should be taken to establish and operate audit and management committees.	Audit and Management Committee were established and action will be taken to implement them in the future.