

Kuruwita 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 31 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 Kuruwita 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

Audit observation	Recommendation	Comment of the Accounting Officer
(a) At the end of the year under review Rs. 47,660,468 receivable for 40 industries were unaccounted.	Receivable money must be accounted.	Noted to make adjustments in preparing the final account for 2019.
(b) Rs. 74,143 vehicle maintenance costs had been capitalized.	Recurring expenses should be accounted.	Noted to make adjustments in preparing the final account for 2019.
(c) The value of the chairs purchased during the year under review had been accounted Rs. 162,626 more.	The correct value should be accounted.	Noted to make adjustments in preparing the final account for 2019.
(d) Fixed deposit interest income for the year under review had been accounted Rs. 2,808,793 more.	The correct value should be accounted.	Noted to make adjustments in preparing the final account for 2019.
(e) The rates and acre tax revenue for the year under review had been under stated by Rs. 373,074 less.	The correct value should be accounted.	Noted to make adjustments in preparing the final account for 2019.
(f) There was a Rs. 61,948,038 difference between the balance as per the balance of the financial statements and balance of the supporting documents related to 7 account subjects at the end of the year under review.	Account balances must be accurately stated in the financial statements and related supporting documents.	Instructed to check, compare and correct monthly receipts.

- (g) There was a difference of Rs. 830,305 between the revenues collected. Relating to 06 revenue heads according to the consolidated receivables summary and according to the collected income and summary income register. Account balances must be accurately stated in the financial statements and related supporting documents. Noted to make adjustments in preparing the final account for 2019.

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	Recommendation	Comment of the Accounting Officer
(a) Rules 204 1988 Pradeshiya Sabha (Financial and Administrative)	Action had not been taken on the matters 2016 and 2017 Annual Goods Surveys revealed on the deficiency Rs. 87,875 worth goods Of 11 units and in 384 books by the end of the year under review.	Should act according to the Pradeshiya Sabha rules.	Action is being taken to recover deficiency of books and goods.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka (i) Financial Regulation 371(2)(C)	Advances of Rs. 932,308 taken from 2009 to 2017, advances had not been settled by the end of the year under review.	Financial regulations should be followed.	Officials have been made aware of this and action will be taken to settle the advances.
(ii) Financial Regulation 571	Action had not been taken regarding Rs. 11,527,994 lapsed deposits related to the year 2001 to 2014.	Financial regulations should be followed.	At present, checking all the expenditure register vouchers for updating the deposit documents is ongoing. Please note that this will take considerable time.
(iii) Financial Regulation 1645	Running charts of 08 vehicles owned by the Council had not been submitted to the audit properly.	Financial regulations should be followed.	Instructions have been given to submit the Running charts of the vehicles owned by the council for the audit by 2019.
(c) Public Finance Circular No. 2/2015 dated 10th July 2015 Section 03	disposal recommendations had obtained for three vehicles by an Assistant Engineer at the Ratnapura	Circular provisions should be followed.	Since the council does not have a special survey board and knowledgeable persons, get the vehicle inspected and got the report by depot

- Depot without engineers.
identifying vehicles
suitable for disposal by
appointed special survey
board.
- (d) Circular No. P.E/01/01 Dated 17 August 2010. Of the Secretary, Ministry of Power and Energy Section 1.3
Contrary to the circular provisions, 25 street lamps had been installed in the Council area during the year under review.
Circular provisions should be followed.
It is stated that the new work will be done properly.

2. Financial Review

2.1 Financial results

According to the financial statements presented the expenditure exceeding the recurrent revenue of the Council was Rs. 7,556,116. In contrast, the income exceeding recurrent expenditure amounted to Rs. 3,298,073 over the previous year.

2.2 Revenue Administration

2.2.1 Estimated revenue, Billed revenue, Accumulated revenue and Arrears

Details of Estimated Revenue, Billed Revenue, Collected Revenue, Accumulated Income and Arrears of Revenue for the year under review are as follows.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	4,361,429	3,492,486	3,451,687	4,603,567	2,313,624	3,551,623	4,222,649	3,854,219
(ii) Rent	6,889,007	6,638,685	6,810,605	1,720,321	7,345,665	6,608,828	6,626,857	2,598,147
(iii) License fee	1,225,150	2,080,378	2,076,028	-	1,773,000	2,643,275	2,636,040	-
(iv) Other Revenue	21,777,804	28,394,418	23,473,754	38,830,796	41,701,040	38,762,500	21,345,725	40,027,736

2.2.2 Rates and Taxes

	Audit observation	Recommendation	Comment of the Accounting Officer
(a)	As at the end of the year under review the outstanding rates balance was Rs. 4,090,976 of which have been in arrears for more than 5 years amounted to Rs. 1,851,336 from 301 units. Operation of the Council was in a weak level regarding collection of arrears of rates.	A systematic program to recover the deficit rates should be planned and implemented.	So far, revenue inspectors have been informed and have collected about 30 percent of the arrears.

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| (b) | At the end of the year under review in the outstanding acreage tax Rs. 512,592 was included Rs. 269,809 which is to be charged by 376 units older than 5 years. | A systematic program to collect deficit revenue should be planned and implemented. | Have to re-check and collect the tax money. |
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2.2.3 Rent

----- Audit observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) Legal action could not be taken to recover arrears shop rent of Rs. 4,436,000 due to the fact that five new shops in the new shopping complex have been granted without signing agreements in 2009.	The leasing of shops should be done on proper agreements and disciplinary actions should be taken for the responsible persons.	Since the responsibly officers are not in the service by now disciplinary action cannot be taken. Although this was submitted to the Council, the approval was not given. Therefore it is intended to consult the Local Government Commissioner again.
(b) No. 30 Stole in new shopping complex, has leased in 2013 by a contract for a monthly rent of Rs. 3,420. No legal action had been taken at the time of the breach of the agreement and the lease was allowed to continue without contract until 2017, after the expiry of the lease period. The council had failed to collect Rs. 202,895 arrears of taxes and fines by the end of the year under review and the shop had been closed since August 2017 with no revenue.	Legal actions should be taken again breach of the agreements and the shop should be leased to earn rent revenue.	Since the tender was tendered for the third time, no tender was submitted and the required documents are being prepared for the tender by reduction 10 percent of the tender amount.

2.2.4 License fee

----- Audit observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
In accordance with the regulations imposed under National Environmental Act No. 47 of 1980 as amended by Acts No. 56 of 1988 and No 53 of 2000 annual survey to identify organizations that have not obtained Environment Protection License or no other formal system had been followed. According to the sample inspections, the environmental license of the three	Issuance and renewal of environmental license must be carried out properly.	Field inspections are being carried out on unlicensed industries and necessary action has been taken to renew licenses for 2018.

companies that expired during the period from March to June 2018 had not been renewed by the end of the year under review.

2.2.5 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
The court fines of the Chief Secretary of the Provincial Council and other authorities by at the end of the 31 December 2018 amounted to Rs. 4,323,105 and stamp fees receivable for year 2015 and 2016 was Rs. 42,461,294 and the stamp fees receivable for 2017 and 2018 had not been identified by January 2019.	Action should be taken promptly to collect the revenue to be received to the Council.	Court fines are being prepared to be sent to the Provincial Council and it has been sent to the Provincial Revenue Commissioner to get stamp fees.

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) Action Plan

Audit observation	Recommendation	Comment of the Accounting Officer
The development, environment and health, libraries, preschools and ayurveda sectors have not specified the development projects/ constructions and expected activities to be implemented during the year and there were no specific timelines for the activities included in the plan.	Timelines for all activities included in the annual action plan must be identified.	Noted to make adjustments in preparing the action plane for 2019.

(b) Not achieving the expected outcomes

Audit observation	Recommendation	Comment of the Accounting Officer
Although the four-year development plan had planned to	The priority of the development projects	During the relevant period, only the projects approved by

implement 31 development projects worth Rs. 10,510,000 in the year under review and none of these projects could be implemented during the year, due to the priority being given to People's Representative's Consultation and suggestions. to be carried out in the area should be identified and plans should be formulated and implemented. the Council have been given priority and implemented on the proposals of the People's Representatives.

(c) Not getting the expected benefits

Audit observation	Recommendation	Comment of the Accounting Officer
<p>(i) Due to the rusting of water in the well that was cut for the Kuruwita Paradise New Colony Water Project in 2015. Although a layer of sand has been used around the well, costing Rs. 270,000 rupees. The rust of the water had not been removed and the water had not been brought back to drinking water. This was due to the lack of a feasibility study or specialist consultation before the well was dug.</p>	<p>A feasibility study should be carried out for these projects and action should be taken to provide drinking water which is the objective of the project.</p>	<p>In the year 2015, the application of sand layer around the well was done with the knowledge of the Water Board and the request of the Administrative Officer of the Water Resources Board. Technical Officers have reported that after the operation of the water filtration is over, there will be rust. It has also been informed that it is due to environmental activities. It is also stated that a water purification method should be adopted for this purpose.</p>
<p>(ii) A total of Rs. 9,952,874 spent jointly by the Pradeshiya Sabha and the Human Resources Development Foundation had been underutilized as the beneficiaries of the project were not provided with drinking water for 125 beneficiaries by the year under review.</p>	<p>Action should be taken to achieve the objectives of the project.</p>	<p>Water is provided according to the number of water users requested. Because water varies depending on the environment, a large amount of money should be expended if a permanent water treatment system is established. It is reported that there is no money for the project and the water users are already getting the water for consuming without getting the water of the project.</p>

(d) Solid Waste Management

Audit observation	Recommendation	Comment of the Accounting Officer
<p>By the end of the year under review, the Council had failed to</p>	<p>A formal solid waste management program</p>	<p>At present a building is being constructed for the disposal of</p>

plan and implement a formal waste management program.	should be planned and implemented.	garbage in the land in Pohorabawa and when it is completed, arrangements are being made to produce organic fertilizer and recycle non-decaying waste.
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(e) Sustainable Development Goals

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Although the Council is aware of the Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area are not prepared by the end of the year.</p>	<p>Long-term plans need to be formulated and implemented.</p>	<p>Though long-term plans have not been made, expect to do so in the future.</p>

3.2 Human Resource Management

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Rs. 3,546,698 was paid as salaries and allowances from the Council Fund for the period from September 2011 to July 2018 for the five employees who were recruited on service contracts exceeding the approved cadre.</p>	<p>Action should be taken to regularize the excess staff.</p>	<p>The council has to employ employees on work contracts that exceed the number of staff approved by the council, because approved employees are not adequate to perform daily work.</p>

3.3 Asset Management

3.3.1 Failure to document assets

Audit observation	Recommendation	Comment of the Accounting Officer
<p>At the end of the year under review, asset registrations totaling Rs. 149,950,452 non-current assets had not been updated.</p>	<p>The fixed asset register should be kept up to date.</p>	<p>Advised to carry out maintenance of asset registers up to date.</p>

3.3.2 None maintenance and repairing

Audit observation	Recommendation	Comment of the Accounting Officer
By the end of the year, the council had failed to repair or take appropriate measures to remove a four-year-old cab and a one-year-old tractor.	Repairs and maintenance should be carried out without delay.	The vehicles are undergoing further repairs. Immediate steps will be taken to obtain revenue licenses, emission certificates and insurance certificates.

3.3.3 Non-Acquired assets

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The ownership of 17 vehicles had not been taken over by the council received from the Ministry of Provincial Councils and Local Government and Sabaragamuwa Provincial Council from 2004 to 2015.	The vehicles used by the council should be taken over in writing.	Action will be taken to take over.
(b) From the 50 cemeteries included in the cemetery register, 49 failed to legally acquire to the council.	Action should be taken to acquire the relevant lands to the Council.	The cemetery acquisition takeover has been advised to be updated.

3.3.4 Neutral / Underutilized Assets

Audit observation	Recommendation	Comment of the Accounting Officer
Two gully trailers received from the Ministry of Local Government and Provincial Councils and the Sabaragamuwa Provincial Council in 2013 and 2017 were inactive in the council premises for the lack of a disposal site for the disposal of gully.	Action should be taken to provide the relevant services to another local authority	The council does not have a place to dispose of sewage and therefore now they are inactive

3.4 Irregular transactions

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Kuruwita Small Town Water Supply Scheme was started in 1997 with World Bank assistance under the National Water Supply and Sanitation Program and the World Bank had stipulated that the project would have to contribute by people 20 percent of the project cost, and that the project would be a non-state controlled project after the completion of the project. Contrary to these conditions, the water project which was taken over by the Council on 01st September 2006 for a period of six months with the objective of strengthening and re-granting the Community Based Organization Although 12 years have passed the project has not been returned to the organization.</p>	<p>The community base organization must be strengthened and the water scheme handed over to it or implemented as a water project managed by the council.</p>	<p>Due to irregularities in the Community Based Organization called Human Resources Development Foundation, the Commissioner of Local Government has given the Pradeshiya Sabha administrative powers to the Pradeshiya Sabha for six months. However, since the Human Resources Development Foundation is not active at present, activities are being done under the supervision of the Executive Committee established by the Pradeshiya Sabha.</p>

3.5 Procurement

Procurement Plan

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Rs.7,735,565 had been procured during the year under review but no procurement plan had been prepared.</p>	<p>An annual procurement plan should be prepared.</p>	<p>No procurement plan has been prepared.</p>

4. Accountability and Good Governance

4.1 Management 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
<p>(a) A total of Rs. 1,472,500 total provisions had been remained for the seven subjects in the year under review.</p>	<p>Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.</p>	<p>It will be checking and allocating properly in the coming years. These allocation have also been made in consultation with the subject officials.</p>

- (b) With respect to 06 subjects in the year under review the percentage remained in the range of 80 to 99 percent out of the total of Rs. 1,042,000 total provision. Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively. It will be checking and allocating properly in the coming years. These allocation have also been made in consultation with the subject officials.

4.2 Audit and Management Committees

Audit observation	Recommendation	Comment of the Accounting Officer
No action has been taken to establish and implement the Audit and Management Committees for the year under review.	Audit and Management Commitments of Establishment and Implementation should be done.	Audit and management committees have been established in 2019.

4.3 Unresolved observations

Audit observation	Recommendation	Comment of the Accounting Officer
Necessary information has not been provided to examine the four account balances of the Rs. 8,888,411 accounts in the financial statements for a long time.	Detailed schedules and balance confirmations should be submitted to verify the balance.	These balances exist from past and instructed to submit the account set up for 2019 for the audit.