

Kekirawa Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 22 April 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 10 July 2020 and 04 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Kekirawa Pradeshiya Sabha as at 31 December 2019 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

Audit Observation -----	Recommendation -----	Comment of the Accounting Office -----
(i) The value of library books amounting to Rs. 1,214,381 which had been removed during the year under review had not been eliminated from the accounts.	The value of the removed library books should be eliminated from the accounts.	Agree.
(ii) The amount of Rs. 1,957,776 spent on the construction of the Pradeshiya Sabha office wall had not been capitalized.	Assets should be accounted for accurately.	Agree.
(iii) The value of the compactor amounting to Rs. 6,221,373 had not been brought to account.	Assets should be accounted for accurately.	Agree.
(iv) Although fixed deposits of Rs. 3,575,357 had been realized during the year under review, it had not been deducted from the fixed deposit value in the financial statements.	Assets should be accounted for accurately.	Agree.

(v)	Provision for gratuity of Rs. 1,043,972 had not been made for 19 casual and temporary employees of the Sabha.	Provision for gratuity should be made in the accounts.	Agree.
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(vi)	Expenditure of Rs.781,775 incurred for the improvement of the Vidatha Center during the year under review had not been capitalized.	Assets should be identified and capitalized.	Agree.
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(b) Contingent Liabilities

Audit Observation

Recommendation

Comment of the
Accounting Office

As at 31 December 2019, external parties had filed 07 lawsuits against the Sabha and the Sabha had filed 05 cases against external parties, whereas the details of which had not been disclosed by the financial statements.

Contingent Liabilities should be disclosed in the financial statements.

Not commented.

(c) Accounts Receivable and Payable

(i) Accounts Receivable

Audit Observation

Recommendation

Comment of the
Accounting Office

- An industrial debtor value of of Rs. 5,716,715 continued to exist for more than two years had not been recovered.

Action should be taken to recover the balance due.

Agree.

- Outstanding lease rent of Rs.1,000,902 continued to exist for more than three years had not been recovered.

Action should be taken to recover the outstanding lease rent.

Agree.

(ii) Accounts Payable

Audit Observation

Recommendation

Comment of the
Accounting Office

An industrial creditors value of Rs. 884,102 elapsed for more than two years had not been settled.

Action should be taken to settle the balance due.

Agree.

(d) Lack of Necessary Documentary Evidence for Audit

Non-submission of Information

Audit Observation	Recommendation	Comment of the Accounting Office
No credible evidence had been presented in respect of 03 accounts items valued at Rs. 1,291,537,373.	Evidence to substantiate the balance stated in the financial statements should be presented.	Agree.

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

Reference to Laws, Rules, Regulations, and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Financial Regulation 571	Deposits worth Rs. 101,870 elapsed for years had not been dealt with.	Action should be taken in accordance with Financial Regulation.	Agree.
(b) Local Government Reform Circular No. PL / 07/01/53 dated 14 November 2006			
(i) Rule No. 09	Maintenance of registers on cemeteries, their declaration and ensuring safety by erecting fences had not been carried out.	Action should be taken in accordance with laws, rules and regulations.	Agree.
(ii) Rule No. 06 2.2(iii)	A continuous road maintenance system had not been adopted.	Action should be taken in accordance with laws, rules and regulations.	Agree.
	Roads belonging to the Sabha had not been gazetted and the maximum load that could be carried had not been displayed.	Action should be taken in accordance with laws, rules and regulations.	Agree.

02. 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. 31,850,128 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 16,427,119 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	7,580,229	8,194,780	8,962,564	4,390,740	7,775,156	7,811,522	6,899,556	5,158,524
(ii) Lease Rent	8,293,360	6,341,619	6,251,216	392,510	7,712,662	5,937,287	5,899,927	302,107
(iii) Licence Fees	4,988,300	4,784,173	4,784,173	-	4,501,101	4,392,295	4,392,295	-
(iv) Other Income	26,975,780	38,185,782	1,152,740	86,531,567	30,739,000	21,823,589	43,069,301	49,498,525
Total	47,837,669	57,506,354	21,150,693	91,314,817	50,727,919	39,964,693	60,261,079	54,959,156

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Rates had been levied for the year under review on the assessment made in 2004.	A new assessment should be made and rates should be recovered accordingly.	Agree.
(b) Outstanding rates of Rs.2,502,610 as at 31 December of the year under review had not been recovered.	Arrears of rates should be recovered in terms of Section 158 of the Act.	Agree.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Only Rs.194,243 had been collected from the billed stall rent of Rs.497,460 in the year under review and the balance of Rs.303,217 had not been recovered due to non-inclusion of terms in the agreements in this regard.	Arrears of stall rents should be recovered in terms of Section 159 of the Act.	Agree.
(b) Arrears of lease rent amounting to 263,542 had not been recovered.	Arrears of lease rents should be recovered in terms of Section 159 of the Act.	A court case has been filed.

2.2.4 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comment of the Accounting Officer
The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December of the year under review was Rs.50,090,226 and Rs.4,373,600 respectively.	Action should be taken to obtain the court fines and stamp duty due.	Agree.

3. Operating Review

3.1 Performance

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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a)	By-laws	-----	Recommendation	Comment of the Accounting Officer
	Audit Observation	----- Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to fulfil 28 main functions, no by-laws had been enacted for 18 matters as at 31 December 2019.	----- Action should be taken to impose by-laws as per the Act.	----- By-laws have been enacted for 10 matters.
(b)	Solid Waste Management	-----	Recommendation	Comment of the Accounting Officer
	Audit Observation	----- Garbage collected in the Sabha area had been dumped informally at two locations in Habarana Sevanagama and Ambulgaswewa areas without any segregation.	----- Waste management should be done according to the National Environmental Act No. 47 of 1980.	----- Agree
(c)	Environmental Issues	-----	Recommendation	Comment of the Accounting Officer
	Audit Observation	----- Improper dumping of garbage at two locations caused great environmental damage, as well as massive air pollution from the burning of polythene and plastics, and a health threat to wildlife that eats the same waste.	----- The Sabha should act in accordance with the regulations of the Extraordinary Gazette Notification No. 2034/36 dated 01 September 2017 and the National Environmental Act No. 47 of 1980.	----- Agree
(d)	Sustainable Development Goals	-----	Recommendation	Comment of the Accounting Officer
	Audit Observation	----- The Sabha was unaware of the United Nations' 2030 Agenda for Sustainable Development Goals.	----- The duties and function relevant to achieving the 2030 Sustainable Development Goals should be accomplished by the Sabha.	----- Agree.

3.2 Management Inefficiencies

Audit Observation

Five shops in Habarana town had been sub-leased by 10 July 2018. Legal action could not be taken against it due to the non-inclusion of a condition in the agreements that these sub-leasing is prohibited.

Recommendation

The agreements should stipulate conditions that sub-leasing is prohibited and the procedures to be followed when sub-leasing is done.

Comment of the Accounting Officer

The lessees have filed lawsuits against the Sabha.

3.3 Operating Inefficiencies

Audit Observation

In determining the trade license fee of up to 1 per cent of the annual revenue of the institutions registered with the Tourist Board, the income as stated in the audited financial statements of those institutions had not been taken into account.

Recommendation

Action should be taken in accordance with the Act.

Comment of the Accounting Officer

Agree.

3.4 Transactions of Contentious Nature

Audit Observation

As the value of lands and buildings amounting to Rs. 48,859,956 as at 01 January of the year under review had been stated in the financial statements as Rs. 1,227,471,000 based on an assessment made by a committee appointed by the Sabha, the value of fixed assets had increased by 2412 per cent.

Recommendation

Assets should be revalued and accounted for by a committee consisting of qualified assessors.

Comment of the Accounting Officer

Not commented.

3.5 Assets Management

3.5.1 Failure to do maintenance and repairs

Audit Observation	Recommendation	Comment of the Accounting Officer
Four tractors, 03 water bowser trailers, a compactor and 02 bicycle worth Rs. 2,165,000 which could be used after repairs had been parked at the Sabha premises.	Action should be taken to repair and reuse or dispose of the assets.	Agree.

3.5.2 Non-acquisition of Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The Sabha had not taken action to acquire the ownership of 24 plots of land containing 31 Acres Root 2 8 Perches as included in the documents claimed to be owned by the Sabha which were being used by the Sabha.	The Sabha should take action to take over the lands owned by the Sabha.	Agree.
(b) Two tractor trailers and two water bowsers valued at Rs. 490,000 belonging to the Sabha had been used without registration.	All vehicles should be registered.	Agree

3.5.3 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The Garbage Management Yard and 04 decomposition tanks constructed at Ambulgaswewa in 2004 and 2005 at a cost of Rs. 2,500,000 remained idle without being used.	Action should be taken to use the idle assets.	Agree. They have been cleaned and prepared for use in composting.
(b) Six buildings worth Rs. 7,605,000 owned by the remained idle without being used.	Action should be taken to use the idle assets.	Agree.