

**Kurunegala Pradeshiya Sabha**  
**Kurunegala District**

**1. Financial Statement**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year 2019 had been presented to the Audit on 30 March 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 30 June 2020 and 22 July 2020 respectively.

**1.2 Qualified Opinion**  
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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 Kurunegala 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**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comment of the Accounting Officer</b> -----
(a) The value of the Minhettiya library building and the Demalussa community hall had not been assessed and accounted for.	Value should be assessed and accounted for.	It is informed that necessary steps will be taken to assess and account for the values in the future.
(b) The value of 04 lands and buildings worth Rs.7,175,000 had not been brought to account.	Action should be taken to account for the values.	It is informed that the relevant error will be corrected in the coming year.
(c) Grants, contributions and subsidies incurred for welfare and common amenities during the year under review were Rs.5,362,181 but it had been included as Rs.5,313,556, in the income and expenditure account, thus understating by Rs. 48,625.	Action should be taken to correct the error.	It is informed that action will be taken to rectify this in the ensuing year.

(d) There was a discrepancies of Rs, 45,281,335 between the financial statements and the schedules in respect of 04 items of accounts as at the end of the year under review.

Relevant discrepancies should be reconciled and corrected.

Action will be taken to confirm the balance submitted without the schedules in the coming year.

(e) Required information pertaining to 04 items of accounts valued at Rs.1,499,420 had not been submitted for audit.

Evidence / Schedule confirming the account balance shown in the financial statements should be furnished to audit.

**Advances**  
This is a value that has been continued for a number of years. Action will be taken to remove it after confirmation.

**Deposits made in other institutions**

The Sabha has no written evidence in this regard.

**Employee Guarantee Deposit**

Employee Security Deposit Register was submitted.

**Investment - Other**

The Sabha has no written evidence in this regard.

## 1.4 Non-compliance

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

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Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are given below.

	<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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(a)	Pradeshia Sabha (Finance and Administration) Rules, 1988			
i.	Rule 19	The Sabha had at one time issued several counterfoil books to one person.	Relevant rules should be followed in issuing counterfoil books.	We accept the matters pointed out by the audit.
ii.	Rule 212	The money had been paid before goods were received by the stores.	Relevant rules should be followed.	It is kindly informed that the relevant purchase has not been made in accordance with the procurement provisions and such errors will not be repeated.

(b) Establishments Code  
of Democratic  
Socialist Republic of  
Sri Lanka

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|-----|---|--|--|--|
| i.  | Sections 11.1 and 11.5<br>of Chapter ii | Action had not been taken to grant permanent appointments to 05 officers who had exceeded the period of 03 years service by 17 January 2020. | Relevant activities should be carried out if the applicable qualifications to confirm the service are fulfilled. | It is kindly inform that work is underway to make the service permanent. |
| ii. | Section 10 and 10.1 of Chapter VIII     | In making holiday pays, it had been paid for an incomplete periods of 8 hours.   | Provisions of the Establishments Code should be followed.  | Not replied.   |

**02. Financial Review**

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**2.1 Financial Results**

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According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 172,537,834 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 169,539,235 for the preceding year.

**2.2 Financial Control**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
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An office assistant of the Sabha had collected all the daily bills relating to the entertainment expenses and submitted the bills to Shroff on a monthly basis, and received cheques worth Rs. 559,723 in his name in the year 2019.	Action should be taken to make payments to the relevant parties.	The shortcomings pointed out in the audit are accepted and action will be taken to spend the entertainment expenses of the Sabha in the future in accordance with the Procurement Process.

## 2.3 Revenue Administration

### 2.3.1 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	Year 2019				Year 2018			
	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.
I. Rates and Taxes	11,472,513	12,337,759	13,925,634	7,735,198	11,531,440	13,769,491	12,123,518	8,070,706
II. Lease Rents	2,851,470	2,601,139	2,594,780	15,168	2,894,440	2,505,013	2,248,297	14,909
III. License Fees	1,645,300	2,086,005	2,086,005	-	1,839,800	1,778,204	1,778,204	-
IV. Other Revenue	220,354,657	278,295,690	213,362,838	105,253,983	164,753,680	258,258,244	341,266,731	41,196,061
<b>Total</b>	<b>236,323,940</b>	<b>295,320,593</b>	<b>231,969,257</b>	<b>113,004,349</b>	<b>181,019,360</b>	<b>276,310,146</b>	<b>357,416,750</b>	<b>49,281,676</b>

### 2.3.2 Rates and Taxes

	Audit Observation	Recommendation	Comment of the Accounting Officer
(a)	The arrears of assessment tax at the Kudalgamuwa office and the Wellawa sub office were Rs.855,648 and Rs.3,365,659 respectively as at December 31 of the year under review.	Action should be taken to recover the arrears in accordance with the Pradeshiya Sabha Act and Rules.	It is informed that action will be taken to recover the remaining arrears.
(b)	There was an outstanding acreage tax balance of Rs. 230,043 on 225 properties of the Wellawa Sub Office as at 31 December 2019.	Action should be taken to recover the arrears as per the Pradeshiya Sabha Act and Rules.	An acre tax survey is being conducted in the year 2020 and action will be taken to recover the arrears after obtaining those reports and updating the documents.

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

##### (a) By-laws

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Although the Sabha is required to impose by-laws for the performance of 30 key activities under Section 126 of the Pradeshiya Sabha Act, it had not taken steps to impose by-laws as required by the Sabha.	----- Action should be taken to impose by-laws as required by the Sabha.	----- It is kindly informed that by-laws will be imposed on the remaining matters on future service requirements of the Sabha.

##### (b) Abandoned Activities

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
----- Although Rs. 40,000,000 had been allocated in the budget for the construction of the Malpitiya and Wellawa public market, the work had not been carried out in 2019.	----- The money allocated from the estimate should be used for the relevant purposes.	----- It is kindly informed the auditors that the preparation of the estimates and the preliminary plans required for the implementation of these projects have now been completed.

**(c) Solid Waste Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
The Dambokka Non-degradable Garbage Separation Center, built in 2016 at a cost of Rs. 2,396,728, remained idle without being used for the relevant purpose.	Action should be taken to utilize the idle properties of the Sabha.	In the future, It is expected to develop the building as a non-degradable waste storage center, with a yard for the separation and disposal of non-perishable waste, as well as basic facilities such as electricity and water in the future.

**(d) Sustainable Development Goals**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
The Sabha was aware of the 2030 Agenda on Sustainable Development Goals and identified 09 development objectives.	Sustainable development goals and objectives should be identified and action should be taken to prepare and implement the budgets accordingly.	It is kindly informed that it is anticipated to further implementing the Sustainable Development Goals in combination with the Strategic Urban Development Project to be implemented in the future.

**3.2 Management Inefficiencies**

	<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a)	Accounts Receivable as at 31 December of the year under review included Rs. 48,122,553 continued to exist for more than one year and Rs. 31,331,765 continued for more than 05 years.	Action should be taken to recover the outstanding balance further remained receivable.	It is kindly pointed out that once the debtor balance is confirmed, further action will be taken to recover those balances.
(b)	Accounts payable as at 31 December of the year under review included Rs. 22,930,189 continued to exist for more than 05 years without relevant schedules.	Action should be taken to settle the outstanding creditors balance payable.	Since this value is an unscheduled value action will be taken to adjust it in the future upon its discovery.

### 3.3 Human Resource Management

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#### Cadre Vacancies and Excesses

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(i) There was a shortage of 16 officers in the approved cadre.	Necessary steps should be taken to fill the vacancies.	Request has been made to the North Western Provincial Council to fill the vacancies by making relevant recruitments.
(ii) Four employees recruited under Public Administration Circular No. 25/2014 had been deployed in office duties without being assigned to the relevant duties.	Staff should be deployed in the duties relevant to the post.	It is kindly informed that three female employees recruited under 25/2014 have been retained for service due to their exceptional skills. One of those officers has been appointed as Library Assistant.

### 3.4 Operating Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
Although the assessment of property should be carried out once in 05 years, the last time property assessment was done in 2011.	Action should be taken to obtain property assessment within the prescribed time and to collect taxes.	It is kindly informed that the assessment report has not been received yet although requests were made to the Valuation Department to provide the assessment report for the year 2018.



### 3.5 Assets Management

#### Non-acquisition of assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
No action had been taken to take over 05 clinic centers worth Rs. 84,469,200 constructed under the Deyata Kirula project in the year 2014.	Arrangements should be made to take over them.	The relevant lands have not been vested in us by the Divisional Secretariats but their transfer is in progress at present.

### 3.6 Procurements

#### Supplies and Services

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comment of the Accounting Officer</b>
(a) Guideline 6.3.6 of the Government Procurement Guidelines had not been followed in the purchase of 02 fiber ladders worth Rs. 100,740, 300 mugs worth Rs. 97,500, 2,097 umbrellas for pre-school children worth Rs. 634,930 and 130 saris worth Rs. 169,000.	Procurement guidelines should be followed when making purchases.	The letters had been prepared inserting an erroneous date by mistake. Although the address of the letters sent to the relevant institutions was mentioned, it was missed to write in the office copy. It is kindly informed that such omissions will not take place in the future.
(b) Although the bid should have been rejected in case the bidder had not signed the bid as per the Guideline 7.8 (a) of the Procurement Guidelines, action had not been taken accordingly in the purchase of cooking kits, plastic chairs and VIP huts.	When making purchase, it should be done in accordance with the procurement guidelines.	The signatures on the bids and the rubber stamp will be given special consideration in the evaluation but the relevant bids have been accepted owing to due to a mistake. It is kindly informed that such mistakes will be prevented in the future.