

Kalawana Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 02 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 30 June 2020.

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 Kalawana 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

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The adjustments had not been made for stamp fees deficit bills amounting to Rs.14,328,326 relating to the previous years and a sum of Rs.25,343,536 received relating to that had been credited to the accumulated fund.	The adjustments should be made for stamp fees deficit bills relating to the preceding years.	That will be rectified in preparing final accounting statements of the year 2020.
(b) The receivables for the works executed from the Provincial Council Funds amounting to Rs.6,898,694 and payables totalling Rs.3,930,000 had not been brought to account.	Accrued capital revenue and expenditure relating to the year should be correctly identified and brought to account.	Action will be taken to correct in future.
(c) Capital expenditure totalling Rs.1,849,290 relating to the year under review had been brought to account as operating expenditure.	Operating expenditure and capital expenditure should be correctly identified and brought to account.	Action will be taken to prevent such type of errors in future.
(d) A revenue of Rs.1,038,000 had been billed for 33 trade stalls which had not been leased out even by the end of the year under review.	Revenue should be correctly identified and brought to account.	Action will be taken to prevent such type of errors in future.
(e) The adjustments had not been made for court fines deficit bills of Rs.263,084	The adjustments should be made for court fines	Action will be taken to rectify court fines accounts.

while the court fines received of Rs.1,190,125 had been credited to the accumulated fund.

deficit bills relating to preceding years.

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| (f) | Accrued expenses of Rs.84,231 relating to the year under review had not been brought to account. | The expenditure relating to the year should be identified correctly and brought to account. | That it will be rectified in the subsequent year. |
| (g) | The value of motor boat purchased in the year under review had been overstated by Rs.73,505. | The value of assets purchased should be identified correctly and brought to account. | That will be rectified in preparing financial statements for the year 2020. |
| (h) | Library books purchased during the year under review had been under stated by Rs.58,300 in the accounts. | The value of assets purchased should be correctly identified and brought to account. | That will be rectified in preparing financial statements for the year 2020. |
| (i) | A difference of Rs.34,061,916 was observed between the balances as per financial statements relating to 11 items of accounts and the balances as per subsidiary registers. | The values shown in the financial statements should be reconciled with the subsidiary registers. | Action will be taken to identify the reasons for differences and to rectify. |
| (j) | Adequate evidence relating to 02 items of accounts totalling Rs.258,361 was not available for audit. | The evidence to confirm the balances shown in the financial statements should be furnished. | Action will be taken to rectify in future. |

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	Comments of the Accounting Officer
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
Financial Regulation 571	Action had not been taken on lapsed deposits totalling Rs.12,893,776.	Action should be taken in terms of Financial Regulations.	Action will be taken to examine the registers relating to the respective period and

to identify specifically the payments paid and action will be taken in terms of the Financial Regulation.

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| (b) | Public Administration Circular No.30/2016 dated 29 December 2016. Paragraph 3.1 | Fuel consumption test of 03 vehicles belonging to the Sabha had not been carried out. | Fuel consumption test should be carried out in terms of the Circular provisions. | Immediately after making the repairs, those will be referred to the fuel consumption test. |
| (c) | Local Government Circular No.2018/e-Local Government 01 dated 19 July 2018. | The Sabha had failed to establish the required facilities for providing opportunity to apply services through internet to the client. | Action should be taken in terms of the circular provisions and should provide required facilities to the client. | The possibility to obtain applications for services through internet is made available at present and the required action to broaden this facility is being planned. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2019 amounted to Rs.38,918,876 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.260.

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 appear below.

Source of Revenue	<u>2019</u>				<u>2018</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,514,000	3,346,428	3,495,201	3,712,885	3,385,155	3,257,175	3,523,564	3,187,549
(ii) Lease Rent	7,779,700	5,827,127	4,702,597	6,256,572	3,200,250	5,299,846	5,132,945	5,108,105
(iii) Licence Fees	601,815	554,093	555,293	-	528,680	481,940	481,940	-
(iv) Other Revenue	<u>12,749,550</u>	<u>12,317,621</u>	<u>13,326,159</u>	<u>23,495,799</u>	<u>4,872,300</u>	<u>8,848,245</u>	<u>13,442,412</u>	<u>13,893,730</u>
	<u>24,645,065</u>	<u>22,045,269</u>	<u>22,079,250</u>	<u>33,465,256</u>	<u>11,986,385</u>	<u>17,887,206</u>	<u>22,580,861</u>	<u>22,189,384</u>

2.2.2 Rates and Taxes

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Rates

Action had not been taken to recover 121 assessment rates units totalling Rs.719,652 remained recoverable for over 03 years.

Prompt action should be taken to recover revenue receivable to the Sabha.

A sum of Rs.286,365 had been recovered during the year 2019 by the programmes of restraining of properties.

(b) Acreage Tax

Audit Observation

Recommendation

Comments of the Accounting Officer

The balance of arrears of acreage tax amounting to Rs.195,786 as at the end of the year under review had included 191 units which remained recoverable for over 05 years amounting to Rs.167,764.

Prompt action should be taken to recover revenue receivable to the Sabha.

A verification of acreage tax had been carried out and further action will be taken accordingly.

2.2.3 Court Fines and Stamp Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

The court fines identified as receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.1,060,321 while the stamp fees receivable amounted to Rs.4,765,090.

The revenue receivable to the Sabha should be recovered promptly.

Action is being taken to recover respective revenue.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and Public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) **Solid Waste Management**

Audit Observation

Recommendation

Comments of the Accounting Officer

Eventhough, about 110 tons of waste has been generated per month within the authoritative area of the Sabha, a procedure for the Waste Management had not been executed.

A Waste Management Plan should be prepared and executed.

The bio degradable waste collecting is being used for ground filling and solid waste had been burnt and it is expected to carry out waste management activities properly after receiving the provisions requested from the Central Environmental Authority for waste management.

(b) **Failure to obtain the expected output Level**

Audit Observation

Recommendation

Comments of the Accounting Officer

A boat had been purchased in June 2019 by incurring Rs.791,730 with an objective to commence a motor boat service close to Kukuleganga for the tourists and to utilize in disasters. Nevertheless, the boat service had not been commenced.

The assets belonging to the Sabha should be utilized effectively.

Even though a motor boat had been purchased with an objective to utilize for the tourist industry, the implementation of the project was delayed as non-receiving the approval of the Department of Irrigation and it was proposed to utilize in the disaster conditions in the future.

3.2 Assets Management

3.2.1 Failure to Perform Maintenance and Repairs

Audit Observation

Recommendation

Comments of the Accounting Officer

Two vehicle remained in condemned condition had not been disposed even by the end of the year under review.

Condemned vehicles should be disposed.

In the Boards of Survey 2019 it was recommended to auction the hand tractor and the road roller which remained in condemned position.

3.2.2 Annual Boards of Survey

Audit Observation

The recommendations of the Board of Survey of the preceding year had not been executed even by the end of the year under review.

Recommendation

The recommendations of the Boards of Survey should be executed in an updated manner.

Comments of the Accounting Officer

In terms of the recommendations of the Boards of Survey of the year under review and the preceding years, the auction of the condemned goods due to be held on 01 July 2020.

3.3 Procurements

3.3.1 Supplies and Services

Audit Observation

A sum of Rs.827,650 had been incurred in the month of October and November 2018 for supply of ABC mixture required for 05 roads selected to develop by the Sabha. But the materials required thereon had been obtained by deviating from the Procurement Guidelines and it was ensured in audit fake documents had been prepared to intimate that the procurement procedure had been followed.

Recommendation

Procurement of works, goods and services should be made in accordance with the Procurement Guidelines and action should be taken with a proper planning and effectively in carrying out development projects with incurring Sabha funds.

Comments of the Accounting Officer

These roads were severely dilapidated and remained with mud and due to the public request it was considered as very urgent work and also considered the funds availability of the Sabha at that time. As such according to the Sabha decision the ABC laying project had been executed.

3.3.2 Contract Administration

Audit Observation

Even though, 19 bitumen barrels had been issued on 25 September 2019 to utilize for the development of Wevalkandura Dodanwala Road, the respective road had not been developed even by the end of June 2020. The Sabha had failed to furnish even an estimate prepared for above development to audit.

Recommendation

The issuing of material for works should be made according to an approved estimate and within the period of the work carryout.

Comments of the Accounting Officer

Due to the rainy situation in these days it is difficult to carry out tarring works. Therefore action will be taken to hand over the responsibility of bitumen barrels to a village society until laying bitumen.