

**Kuruvita 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 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 29 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 Kuruvita 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**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) The receivables totalling Rs.16,910,533 as at 31 December 2019 in respect of 28 works and 05 works executed from the provisions of Provincial Councils and under the Decentralized provisions respectively had not been brought to account.	The capital revenue and expenditure as well as receivables and payables of the year should be correctly identified and should prepare the financial statements.	The deficiencies will be examined and will be rectified in the final accounts of the year 2020.
(b) The interest of fixed deposits relating to the year under review but not realized amounting to Rs.4,133,405 had been debited to the fixed deposits account.	The revenue relating to the year should be correctly identified and brought to account.	The deficiencies will be examined and will be rectified in the final accounts of the year 2020.
(c) A sum of Rs.270,835 incurred to purchase fixed assets during the year under review had not been capitalized.	The fixed assets purchased during the year should be capitalized.	The deficiencies will be examined and will be rectified in the final accounts of the year 2020.

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| (d) | The value of 06 computers purchased during the year under review had been under stated by Rs.304,987 and the value of furniture and equipment had been overstated by Rs.62,375 in the accounts.                       | The values of assets purchased should be correctly capitalized.  | The deficiencies will be examined and will be rectified in the final accounts of the year 2020.  |
| (e) | The interest paid for the Asian Development Bank Loan amounting to Rs.135,558 had been brought to account as a reduction of the capital amount of loan.   | The expenditure relating to the year should be correctly identified and should prepare financial statement.  | The deficiencies will be examined and will be rectified in the final accounts of the year 2020.  |
| (f) | The reimbursable salaries for the month of December 2019 had been under stated by Rs.90,000.  | The revenue and the receivables relating to the year should be correctly identified and brought to account.  | The deficiencies will be examined and will be rectified in the final accounts of the year 2020.  |
| (g) | A difference of Rs.31,529,845 was observed between the balances as per the financial statements as at the end of the year under review relating to 06 items of accounts and the balances as per subsidiary registers. | The financial statements and the subsidiary registers should be reconciled.  | The instructions had been given to the respective officers to reconcile the balances monthly.  |
| (h) | The detailed schedules for six items of accounts amounting to Rs.8,935,055 were not made available for audit.   | The required evidence to confirm the balances shown in the financial statements should be furnished and action should be taken to identify and settle these balances brought forward for over a long period. | These accounts had remained brought forward in the ledgers from prior periods and it is difficult to find information with regard to these balances. |

- (i) When preparing the financial statements of the year under review action had not been taken to rectify the accounting deficiencies in the financial statements of the preceding year totalling Rs.50,868,601. Accounting deficiencies pointed out should be rectified. That will be rectified when preparing final accounts of the year 2020.

#### 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.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.			
(i) Financial Regulation 371 (2) (c)	The advances totalling Rs.856,654 granted in 27 instances during the period from the year 2009 to 2017 had not been settled.	Action should be taken in terms of Financial Regulations.	The instructions had been given to recover some advances from the responsible officers and action is being taken to settle the other balances of advances.
(ii) Financial Regulation 571	Action had not been taken on lapsed deposits totalled Rs.22,748,724 relating to the period from the year 2001 to 2017.	Action should be taken in terms of Financial Regulations.	Action will be taken to take in to revenue at the end of the year 2020.

(b) Public Administration  
Circular

(i) Circular No.30/2016 dated 29 December 2016. Paragraph 3.1	Fuel consumption tests of 04 motor vehicles of the Sabha had not been carried out properly.	Action should be taken in terms of Provisions of Circular.	The fuel consumption tests will be conducted properly in future.
(ii) Circular No.02/2018 dated 24 January 2018.	The performance agreements that should be signed annually for the staff had not been signed even by the end of the year under review.	Action should be taken in terms of the Provisions of Circular.	The performance reports of the officers who have not entered into annual performance agreements will be signed in the future.
(c) National Budget Circular No.02/2017 dated 25 July 2017.	Output indicators and major performance indicators relating to the Output of the institutional role had not been identified.	Action should be taken to identify the relevant indicators in terms of the provisions of circulars.	Action will be taken to rectify.
(d) Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018.	The Sabha had failed to establish required facilities for providing opportunities to apply services through internet to the client.	Action should be taken to provide necessary facilities to the client in terms of the Provisions of Circulars.	It will be expected to execute these activities after being updated the internet facilities.

## 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 2019 amounted to Rs.8,751,962 as against the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.7,556,116.

## 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	2019				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.
Rates and Taxes	9,189,561	6,297,680	4,067,856	5,999,782	4,361,429	3,492,486	3,451,687	4,603,567
Lease Rent	6,439,731	7,897,979	7,541,848	2,043,115	6,889,007	6,638,685	6,810,605	1,720,321
Licence Fees	1,794,550	2,727,035	2,723,035	-	1,225,150	2,080,378	2,076,028	-
Other Revenue	<u>37,240,944</u>	<u>26,854,289</u>	<u>85,043,489</u>	<u>32,847,561</u>	<u>21,777,804</u>	<u>28,394,418</u>	<u>23,473,754</u>	<u>38,830,796</u>
	<u>54,664,786</u>	<u>43,776,983</u>	<u>99,376,228</u>	<u>40,890,458</u>	<u>34,253,390</u>	<u>40,605,967</u>	<u>35,812,074</u>	<u>45,154,684</u>

### 2.2.2 Rates and Taxes

#### (a) Rates

##### Audit Observation

The balance of arrears of rates amounting to Rs.6,522,397 as at the end of the year under review had included a sum of Rs.3,267,303 receivable from 545 assessment units older than 05 years.

##### Recommendation

Action should be taken to recover arrears of rates.

##### Comments of the Accounting Officer

Due to global epidemic it was not possible to do the restraining of properties and a part of the balance of arrears had been recovered.

#### (b) Acreage Tax

##### Audit Observation

The balance of arrears of acreage tax amounting to Rs.504,067 as at the end of the year under review had included a sum of Rs.422,183 receivable from 384 units remained for over 05 years.

##### Recommendation

Action should be taken to conduct a verification relating to acreage tax and to recover arrears of taxes..

##### Comments of the Accounting Officer

Even though, the acreage tax verification formats had been referred to the Divisional Secretary of Kiriella and Kuruvita on 21 August 2019 the information had not been received up to now.

### 2.2.3 Licence Fees

#### **Audit Observation**

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A survey had not been carried out to identify the institutions from which recoverable industrial tax, business tax and trading licence fees within the authoritative area of the Sabha and as such it could not be ensured whether the institutions which should obtain licences had obtained the relevant licences.

#### **Recommendation**

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All institutions that should pay business tax and trading licence fees should be identified by annual surveys and should recover relevant charges.

#### **Comments of the Accounting Officer**

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The surveys relating to the year 2021 will be conducted and action will be taken to recover licence fees from all institutions who should obtain licences.

### 2.2.4 Court Fines and Stamp Fees

#### **Audit Observation**

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Court fines receivable as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.3,396,022 and the stamp fees receivable for the year under review had not been identified even by March 2020.

#### **Recommendation**

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Action should be taken to identify and recover the revenue receivable to the Sabha.

#### **Comments of the Accounting Officer**

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Action will be taken in future.

## 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, Public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

#### **Sustainable Development Goals**

#### **Audit Observation**

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Even though, the Sabha had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by December 2019.

#### **Recommendation**

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Sustainable Development plans should be prepared and executed.

#### **Comments of the Accounting Officer**

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It was not aware about this in the year 2019 and the plans has been prepared in the year 2020.

### **3.2 Uneconomic Transactions**

#### **Audit Observation**

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Two residential workshops at the National Inland Fisheries and Aquaculture Training Institute, Kalawewa for 3 days and at Uva Management Training Centre for 2 days had been conducted with an objective to make an awareness of the Public Representatives and the Officers in January 2019 and October 2019 respectively. Nevertheless, out of 45 Councilors, 26 and 39 Councilors had not participated for 1<sup>st</sup> workshop and 2<sup>nd</sup> workshop respectively and the participation of the officers amounted to 08 and 13 respectively. As such the Sabha had failed to achieve the objective of conducting the workshops and a sum of Rs.493,932 incurred for the workshop had become a fruitless expenditure.

#### **Recommendation**

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Action should be taken to conduct training programmes with due planning and an effective manner.

#### **Comments of the Accounting Officer**

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Even though, the all Public Representatives and the officers had been informed relating to training workshops, all persons had not participated due to various personal reasons.

### **3.3 Human Resources Management**

#### **Staff loans**

#### **Audit Observation**

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Twenty seven staff loan balances totalling Rs.676,267 remained outstanding for a period ranging from 01 year to 10 years had not been recovered even by the end of the year under review.

#### **Recommendation**

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Action should be taken to settle the loans.

#### **Comments of the Accounting Officer**

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Required actions are being taken to recover loan balances.

### **3.4 Operating Inefficiencies**

#### **Audit Observation**

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A property sales company had taken action to divide the land blocks and sale of the land called Nithiyamandiya Mukalana with an extent of 06 acres 01 Rood and 20 perches situated in the authoritative area of the Sabha while the advertisement notices relating to that had displayed the value of the land as Rs.89,000 per perch and upwards. Nevertheless, the Revenue Inspector of the Sabha had assessed the value as Rs.57,750 per perch and as such a revenue of Rs.318,750 as a tax of 01 per cent which could have been earned had been deprived of by the Sabha.

#### **Recommendation**

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

#### **Comments of the Accounting Officer**

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Action will be taken to obtain a tax of 01 per cent on the sales amount of the Land Registry for the relevant land blocks in the future.

### 3.5 Assets Management

#### 3.5.1 Annual Boards of Survey

##### **Audit Observation**

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Action had not been taken to auction a cab vehicle and 02 hand tractors recommended to auction by the Boards of Survey Report for the year 2017 even by the end of the year under review.

##### **Recommendation**

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The vehicles which were not in running condition should be disposed in accordance with the circulars.

##### **Comments of the Accounting Officer**

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Even though, a letter had been sent to Governors office requesting the approval to auction the cab vehicle and 02 hand tractors, the approval was not received up to now.

#### 3.5.2 Assets not Vested

##### **Audit Observation**

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Action had not been taken for formal vesting of 13 motor vehicles which are being utilized by the Sabha.

##### **Recommendation**

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The motor vehicles utilized by the Sabha should be vested properly.

##### **Comments of the Accounting Officer**

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Necessary action will be taken in future to transfer the ownership of all the vehicles for which the registered ownership have not been taken over by the Sabha.

#### 3.5.3 Idle/ Underutilised Assets

##### **Audit Observation**

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A period of 5 years had been taken to repair a cab vehicle which handed over for repairs in January 2014. Even though, the cab vehicle was received to the Sabha on 11 March 2019 after the repairs by incurring Rs.495,000, the cab vehicle had remained idle without being utilized for running.

##### **Recommendation**

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The problem relating to the ownership of the cab vehicle should be solved promptly and should be utilized effectively.

##### **Comments of the Accounting Officer**

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The documents required for the transfer of ownership of the cab vehicle had been handed over to the Department of Motor Traffic. The cab vehicle had been parked in the Sabha premises without being utilized for running as obtaining the revenue licence was a problem due to the delay of the transfer.



### 3.6 Irregular Transactions

#### **Audit Observation**

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The loan advances totalling Rs.5,200,000 had been granted to 34 Public Representatives without an authority given by the Pradeshiya Sabha Act or any other written law or a Circular.

#### **Recommendation**

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Loan advances should not be granted without obtaining an authority under Pradeshiya Sabha Act or any other written law.

#### **Comments of the Accounting Officer**

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As per the Sabha decision of 12-01 under other matters of the General Meeting dated 19 June 2018, the relevant loans had been granted.

### 3.7 **Procurements**

#### 3.7.1 **Procurement Plan**

#### **Audit Observation**

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Even though, a procurement plan for the year under review had not been prepared, the procurements valued at Rs.12,115,818 had been made.

#### **Recommendation**

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An annual procurement plan should be prepared and approved.

#### **Comments of the Accounting Officer**

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Even though a procurement plan for the year 2019 had not been prepared, a procurement plan for the year 2020 had been prepared and had been passed by the Sabha.

#### 3.7.2 Supplies and Services

#### **Audit Observation**

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As per the decision of the General meeting dated 25 November 2019 a pandal had been constructed by spending Rs.100,000 for the procession of the commencement of Stripada worship period while selection of an institution for that task had been done contrary to the Guideline 3.4.1 (a)(iii) and (b) of the Procurement Guidelines.

#### **Recommendation**

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Action should be taken as per the Procurement Guidelines when supplying of goods, works or services.

#### **Comments of the Accounting Officer**

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The construction of this pandal was an urgent essential work and as such it was done as per the Sabha decision under urgent procurements.

### 3.7.3 Contract Administration

#### Audit Observation

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A sum of Rs.408,702 had been overpaid in respect of 02 works executed during the year under review.

#### Recommendation

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The over payments should be recovered.

#### Comments of the Accounting Officer

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Out of the recoverable amount, a sum of Rs.144,871 had been recovered from retention money and action will be taken to recover balance amount within the period of 02 weeks.

### 4. Accountability and Good Governance Unresolved Audit Observations

#### Audit Observation

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- (a) Five trade stalls of new trading complex had been given in the year 2009 without being signed the agreements and as such legal action could not be commenced to recover arrears of trade stall rent and delay charges defaulted of Rs.4,436,000.

#### Recommendation

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The agreements should be properly entered into in leasing out the trade stalls and the responsible persons should be identified and should take disciplinary actions.

#### Comments of the Accounting Officer

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Action will be taken to eliminate the delay charges from the registers, as the approval of the Governor received in December 2019 to write off the delay charges receivable for the relevant trade stalls and action will be taken to recover arrears of lease rent in future.

- (b) A trade stall of the new trading complex had been leased out by an agreement in the year 2013 for a monthly rental of Rs.3,420 and after the end of the lease period it was allowed to maintain the trade stall up to the year 2017 without an agreement. The Sabha had failed to recover a sum of Rs.202,895 as arrears of lease rent and fines as at the end of the year under review and the respective trade stall had been closed down from August 2017 without earning the revenue.

Legal action should be taken in respect of breaching of contracts and action should be taken to lease out the trade stall and to recover revenue.

Even though this trade stall had been tendered thrice, the lessees were not presented thereon and action will be taken to lease out this trade stall with the trade stalls of Type – 01 complex as well.

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| (c) The Sabha had failed for vesting of 49 cemeteries to the Sabha out of 50 cemeteries included in the Register of cemeteries.   | Action should be taken for vesting of respective lands to the Sabha.  | The Holypitiya Udawaththa Cemetery had been vested and the vesting activities of several cemeteries are being carried out. |
| (c) Two gully trailers received from the Ministry of Local Government and Provincial Council and from the Provincial Council Sabaragamuwa in the years of 2013 and 2017 had remained idle in the Sabha premises due to non-availability of a place to dispose the sewage. | Action should be taken to provide for another Local Government Institution which supplying the relevant services. | Two gully trailers had been kept in the Sabha premises due to non-availability of a place to dispose sewage.               |