

**Kekirawa Pradeshiya Sabha**  
**Anyradhapura District**  
-----

**01 . Financial Statements**  
-----

**1.1 Presentation of Financial Statements**  
-----

Financial statements for the year 2017 had been presented to Audit on 29 March 2018 and the Auditor General's Report relating to those financial statements had been sent to the Chairman of the on 28 March 2018.

**1.2 Qualified Opinion**  
-----

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kekirawa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**  
-----

**1.3.1 Accounting Deficiencies**  
-----

The following matters were observed.

- (a) The value of the Hume pipes amounting to Rs.729,000 which had been purchased during the year under review for the road maintenance activities of the Sabha, but not used for the relevant purpose had been brought to account as an expenditure and as such, expenditure of the year and the current assets had been overstated and understated by that amount respectively.
- (b) As the fixed assets amounting to Rs. 100,742 purchased during the year under review had not been brought to account, fixed assets and the Revenue Contributions to Capital Input Account had been understated by that amount.
- (c) As the remaining stock of consumables valued at Rs. 142,137 as at 31 December of the year under review had not been brought to account, current assets had been understated by that amount.
- (d) As the receipt of outstanding rents amounting to Rs. 27,300 had been credited to the Outstanding Rates Account, outstanding Rates and the outstanding rents had been understated and overstated by that amount respectively.

### 1.3.2 Accounts Receivable and Payable

-----

The Trade Debtors balance of Rs. 20,888,410 existed as at the end of the year under review had included the balances of Rs. 347,913 older than 03 years and steps had not been taken to recover those balances.

### 1.3.3 Lack of Documentary Evidence for Audit

-----

As detailed schedules relating to the furniture and equipment worth Rs. 4,420,124 had not been furnished and those had not been physically presented to Audit, such items could not be satisfactorily verified in audit.

## 2 Financial Review

-----

### 2.1 Financial Results

-----

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 19,998,377 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 22,904,154.

### 2.2 Financial Control

-----

Excess funds of Rs. 21,853,887 belonging to the Sabha had not been invested or used for the implementation of projects.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Actual Revenue, and Revenue in Arrears

Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

Source of Revenue	Opening Balance as at	Revenue Billed for 2017	Revenue Collected for 2017		Revenue in Arrears as at
	01 January 2017		From the arrears as at	From the Amount Billed	31 December 2017
	Value	Value	01.01.2017	for 2017	Value
			Value	Value	
	Rs.	Rs.	Rs.	Rs.	Rs.
-----	-----	-----	-----	-----	-----
Rates	2,335,656	5,197,631	1,043,554	4,379,557	2,110,176
Business and Industrial Tax	-	2,028,223	-	2,028,223	-
Hoardings	-	373,025	-	373,025	-
Court Fees	48,426,193	15,271,516	-	-	63,697,709
Stamp Fees	6,466,529	600,000	-	-	7,066,529
Trade Licence Fees	-	3,451,363	-	3,451,363	-
Environmetnal Licence Fees	-	283,360	-	283,360	-
Charges for services	-	771,393	-	771,393	-
Trade Stall Rents	288,790	549,860	180,728	393,175	264,747
Leasing	1,469,889	5,611,146	128,987	5,611,146	1,340,902
Tax on Fairs	-	608,760	-	608,760	-
Entertainment Tax	693,690	260,674	9,000	149,885	795,479
	-----	-----	-----	-----	-----
Total	59,680,747	35,006,951	1,362,269	18,049,887	75,275,542
	=====	=====	=====	=====	=====

### 2.3.2 Performance of the Collection of Revenue

-----

Out of the arrears of revenue amounting to Rs. 59,680,746 existed at the beginning of the year under review, a sum of Rs. 1,362,268 only had been collected during the year under review and the arrears of revenue had increased up to Rs. 75,275,543 by 31 December 2017.

### 2.3.3 Rates and Taxes

-----

The following matters were observed.

- (a) Having identified 4861 units of Rates in the year 2004, Rates had been billed as Rs. 5,197,631 and properties had not been assessed and rates had not been updated after the year 2004. Therefore, a colossal amount of collectable revenue of Rates had been deprived of by the Sabha.
- (b) Out of Rates in arrears amounting to Rs. 2,335,656 existed as at the beginning of the year under review, a sum of Rs. 1,043,554 only had been collected during the year and action had not been taken to recover the arrears of Rates as required by Section 158 of the Pradeshiya Sabha Act, No.15 of 1987.

### 2.3.4 Rents

-----

The following matters were observed.

- (a) Out of trade stalls rents and lease in arrears amounting to Rs. 1,758,678 existed as at the beginning of the year under review, a sum of Rs. 309,714 only had been collected during the year and action in accordance with Section 159 of the Pradeshiya Sabha Act, had not been taken to recover the outstanding balance.
- (b) Out of the billed trade stall rents of Rs. 549,860 of the year under review, a sum of Rs. 393,175 had been collected and it had not been possible to collect the balance amount owing to failure to include relevant conditions in the agreements.

### 2.3.5 Court Fines and Stamp Fees

-----

Any amount of the court fines of Rs. 48,426,193 and stamp fees of Rs. 6,466,528 receivable as at the beginning of the year under review had not been received by the Sabha and stamp fees of Rs. 7,066,528 and court fines of Rs. 63,697,709 recoverable as at 31 December 2017 had been retained by the Provincial Council.

### 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 Sabha Act, are as follows.

##### (a) By-Laws

-----

Even though By-laws should have been imposed under Section 126 of the Pradeshiya Sabha Act for the execution of 28 key functions, by-laws had not been imposed in respect of those functions even by 31 December 2017.

##### (b) Action Plan

-----

Although an annual Action Plan had been prepared for the activities to be carried out by the Sabha, it had not been prepared in accordance with the Satate Finance Circular No. 01/2014 dated 17 February 2014.

##### (c) Failure to Achieve the Expected Output Level.

-----

Although plans had been drawn to implement 17 programmes for the prevention of Dengue menace during the year under review, only 05 of such programmes had been implemented.

##### (d) Solid Waste Management

-----

Garbage collected in the area of authority of the Sabha had been irregularly disposed of to two locations situated at Sewanagama and Ambulgaswewa, Habarana without being segregated.

##### (e) Environmental Issues

-----

It was observed that the irregular disposing of garbage collected in the area of authority of the Sabha at two locations had caused an immense environmental damage and burning of polythene and plastic had caused air pollution and posed severe threat to the life of the elephants that used to eat these garbage.

##### (f) Sustainable Development Goals

-----

The Sabha had not been aware of the Agenda 2030 on the Sustainable Development Goals adopted by the United Nations Organization.

### 3.2 Management Inefficiencies

-----

The following matters were observed.

- (b) Two unregistered tractor trailers and two water bowsers had been driven.
- (b) Six hundred and fifty two items of goods and equipment worth Rs. 1,185,177 purchased under the decentralized provisions of the year,2017 had not been distributed among the beneficiaries even by 04 July 2018.

### 3.3 Operating Inefficiencies.

-----

The following matters were observed.

- (a) Even though agreement had been entered into for leasing the Beef stall situated at Ihalapuliyankulama at Rs. 106,450, that stall had not been maintained owing to failure on the part of the Sabha to provide slaughterhouse facilities in terms of the agreement.
- (b) Although the lessee who had obtained the fresh water fish stall at Habarana on lease of Rs.26,000 had not maintained the business, without being taken action in that connection, 1/3 of the deposit equivalent to Rs.8,700 had been credited to the revenue. Nevertheless, necessary steps had not been taken to lease out again the fish stall.
- (c) The lessee who had obtained the sea fish stall at Madatugama on lease of Rs.51,000 had handed over the property to the Sabha after lapse of 03 months while giving reasons for his failure to maintain the business and the second bidder, too, had refused to undertake the property. Nevertheless, the Sabha had not taken necessary steps to lease out the property again.
- (d) As a slaughterhouse had not been constructed for the Beef stall at Bandarapothana, the lessee who had obtained it on rent of Rs.975,450 had handed over the stall again after the payment of monthly rent of Rs.122,000. Therefore, the Sabha had been deprived of an income of Rs. 853,450.
- (e) A lessee who had obtained a trade stall of the Sabha on lease had constructed a large house adjoining to the stall and resided therein. Nevertheless, the Sabha had not taken action to remove that house.
- (f) Without being complied with the rates notified in the Gazette No.2052 of the Democratic Socialist Republic of Sri Lanka dated 30 December 2016, a sum of Rs. 338,600 had been recovered in 128 instances.
- (g) Out of 8 trade stalls belonging to the Sabha and situated at Habarana town, 05 stalls had been subleased by 10 July 2018. The Sabha had allowed the lessees to earn a colossal

income by subleasing of properties owned by the Sabha and a condition proscribing the subleasing of properties had not been included in the lease agreements, thus restricting the possibility to initiate legal measures.

### 3.4 Assets Management

-----

#### 3.4.1 Assets not Vested

-----

Action had not been taken to take over the ownership of 24 plots of land containing 31 Acres 2 Roods and 8 Perches in extent used by the Sabha and included in the documents as alleged to be owned by the Sabha.

#### 3.4.2 Idle and Underutilized Assets

-----

The waste management yard and 04 Bio tanks constructed at Ambulgaswewa at a cost of Rs. 2,500,000 in the years 2004 and 2005 had remained idle without being used.

### 3.5 Procurement

-----

#### Procurement Plan

-----

A Procurement Plan had not been prepared for the year under review.

## 4 Accountability and Good Governance

-----

### 4.1 Budgetary Control

-----

As compared with the budgeted revenue variations ranging from 77 per cent to 79 per cent could be observed in actual revenue relating to 02 items of revenue and variations ranging from 10 per cent to 155 per cent was observed in actual expenditure compared to the budgeted expenditure relating to 08 items of expenditure of the year under review.

### 4.2 Internal Audit

-----

Having been appointed an Internal Auditor accountable to the Sabha ,reports had been prepared. Nevertheless, the copies thereof had not been furnished to the Auditor General.

### 4.3 Audit and Management Committees

-----

The Audit and Management Committee meetings had not been conducted for the year 2017 in terms of Circular No.DMA/2009 (i) dated 09 June 2009 issued by the Management Audit Department.

## 4.4 Unanswered Audit Queries

Replies to the audit query No. NCP/AP/F/KKPS/FA/17/05 dated 13 October 2017 had not been received even by July 2018.

## 5 Systems and Control

Deficiencies observed during the audit test check were brought to the notice of the Sabha from time to time. Special attention is needed in the following areas of systems and controls.

System	Deficiency
(a) Accounting	Closing stock had not been physically computed and brought to account.
(b) Leasing of trade stalls and properties.	(i) Failure to update files. (ii) Not taking action to lease out properties again. (iii) Failure to take action against the lessees who had breached the agreements.
(c) Fixed Assets	(i) Not taking over of the ownership of the lands. (ii) Failure to ensure the security of the lands.
(d) Waste Management	Failure to carry out waste management.