

**Kurunegala Pradeshiya Sabha  
Kurunegala District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2018 had been submitted to Audit on 28 March 2019 and the Summary Report and the Detailed Management Audit Report of the Auditor General relating to those Financial Statements have been sent to the Chairman on 31 May 2019.

**1.2 Qualified Opinion**  
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In my opinion, except for the effect of the matters described in the basis for qualified opinion of this report, financial statements give a true and fair view of the financial position of the Kurunegala Pradeshiya Sabha as at 31 December 2018 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>Comments of the Accounting Officer</b> -----
(a) The value relating to 06 accounting deficiencies had been understated in accounts by Rs.12,286,871 and the value relating to 02 accounting deficiencies had been overstated by Rs.7,238,118 in accounts.	Accounting deficiencies should be corrected.	It is informed that it will be corrected in the future.
(b) Even though balances according to the financial statements of 04 items of accounts totalled Rs.160,781,451, balances according to schedules relating thereto totalled Rs.107,214,100, thus indicating a difference of Rs.53,567,351.	It should be rectified by reconciling un-reconciled balances.	It is informed that action will be taken to rectify it by reconciling balances between schedules and accounts in the future.

- (c) Evidence relating to 7 balances of accounts valued at Rs.243,207,940 had not been made available and as such, it could not be satisfactorily verified in Audit. Relevant evidence should be made available. Action will be taken to maintain a Register on Computers and no documentary evidence whatsoever is available with the Sabha for investments.

#### 1.4 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

Audit Observation	Non-compliance	Recommendation	Comments of the Accounting Officer
Section 134 of the Pradeshiya Sabha Act, No. 15 of 1987	Action had not been taken to identify developed areas in the area of authority of the Pradeshiya Sabha from time to time and to declare them as developed areas and to recover rates therefrom.	Action should be taken in compliance with laws, rules, and regulations.	Action will be taken in future.

## 02. 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 2018 had been Rs. 165,750,040 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 202,247,275.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information on the estimated revenue, billed revenue, collected revenue and the arrears of revenue presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017			
	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	11,531,440	13,769,491	12,123,518	8,070,706	11,420,130	11,404,230	13,681,671	25,734,554
Lease Rents	2,894,440	25,042,067	2,248,297	14,909	2,699,855	1,863,611	1,885,952	9,631
Licenses Fees	1,839,800	1,778,204	1,778,204	-	1,839,800	2,512,637	803,363	-
Other Revenue	164,753,680	258,258,244	341,266,731	41,196,061	171,897,670	235,227,713	11,784,493	251,246,342
<b>Total</b>	<b>181,019,360</b>	<b>298,846,006</b>	<b>357,416,750</b>	<b>49,281,676</b>	<b>187,857,455</b>	<b>251,008,191</b>	<b>28,155,479</b>	<b>276,990,527</b>

### 2.2.2 Rates and Taxes

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

Rates and Acreage taxes receivable as at 31 December of the year under review had been Rs. 8,070,706 and out of that, a sum of Rs. 4,194,626 had been in arrears for the period between 01 and 03 years.

Arrears of revenue should be collected speedily.

It is informed that action will be taken in future.

### 03. Operating Review

#### 3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as 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 within the area, are as follows.

##### (a) Performance of Budgetary Works

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Even though provisions of Rs. 800,000 had been made for the internet and library service of the year 2018, only a sum of Rs. 150,000 had been spent therefor.	Budgetary provisions should be utilized properly.	Comments are not made.
(ii) Even though provisions of Rs. 850,000 had been made for the construction of new library building at Doratiyawa, construction activities thereof had not been commenced.	Budgetary provisions should be utilized properly.	Construction of two sub-offices at the same time is problematic. As such, it is informed that only one office is completed.

##### (b) Solid Waste Management

Audit Observation	Recommendation	Comments of the Accounting Officer
The Dambokka Non-degradable Waste Classification Centre constructed by spending a sum of Rs. 2,396,728 in the year 2016 had remained idle without being used.	Waste management should be carried out properly by achieving relevant objective under basic infrastructure facilities.	Failure in providing basic infrastructure such as water, electricity etc. to this centre and constructing a yard for collecting non-degradable waste had been the main reasons therefor. Action will be taken thereon in future.

**3.2 Human Resources Management**

**Excess Cadre**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Twenty two officers in the post of Development Officer had been deployed in the service in excess.	Action should be taken formalized the excess cadre.	Twenty one officers had been attached by the North Western Provincial Department of Local Government.

**3.3 Transactions of Contentious Nature**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
In terms of Circular No.3(b) of 05 June 1990 of the Secretary to the Ministry of Provincial Councils read in conjunction with Section 1 of the Chapter IX of the Establishments Code, a sum of Rs. 2,386,631 of the Administrative Expenditure received to the Fund of the Sabha from the year 2011 to the year 2017 for development activities, carried out by using various provisions received from various Government institutions, had been distributed among 22 officers of the Sabha.	Action should be taken to recover money paid without approval.	It is informed that replies will be made after obtaining a copy of the Circular dated 05 June 1990 of the Secretary to the Ministry of Provincial Councils and studying thereon.

### 3.4 Procurements

#### Contract Administration

##### Audit Observation

Metal of 1 ½ inches in size were appear due to failure in applying tar properly in 04 places developed on the Sendiriya Pitiya Road by spending Rs. 499,108. Moreover, metals of the ending part of the road had sunken, thus resulting in pits on that part.

##### Recommendation

Constructions should be carried out properly.

##### Comments of the Accounting Officer

The Commissioner of Local Government has been informed to take appropriate measures in respect of officers concerned.