

Kekirawa Pradeshiya Sabha
Anradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit 01 April 2019 and the summary report of the Auditor General relating to those financial statements and the detailed management audit had been submitted to the Chairman on 31 May 2019.

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 accompanying financial statements give a true and fair view of the financial position of the Kekirawa 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

(a) Accountint Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The Fixed Deposit Interest Income amounting to Rs. 3,113,988 for the year under review had been stated as Rs. 2,734,982 in the financial statements and as such, a sum of Rs. 379,006 had been understaed.	Accounts should be properly maintained..	Accepted. Accounting has been done based on the cash income.
(ii) Value of Rs. 29,900,371 relating to 02 buildings completed during the year under review and the playground and the value of furniture purchased in the year 2017 amounting to Rs. 100,742 had not been brought to account.	Values of assets should be accurately recorded in the accounts	Accepted.

(b) Accounts Receivable and Payable

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	Industrial debtor balances over two years worth Rs. 196,087 had not been recovered.	Action should be taken to recover the balance due	Accepted
(ii)	Reveivable balance of Rs. 1,340,902 over two years had not been recovered	Action should be taken to recover the balance due.	The cases relating to the recovery of Rs417,940 is pending and a court decision has been delivered to settle a sum of Rs. 556,150.
(iii)	Industrial creditors of Rs. 658,063 over two years had not been settled.	Action should be taken to settle the payable balances.	Accepted

(c) Lack of Documentary evidence for audit

	Audit Observation	Recommendation	Comments of the Accounting Officer
	Due to the lack of detailed schedules and reports of the Board of Survey in respect of 02 items of account worth Rs. 8,139,459, those could not be satisfactorily verified in audit.	Written evidence need to provide to substantiate the value shown in the financial statements.	Accepted.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

	Referance to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a).	Financial Regulation 571	Action in accordance with Financila Regulations had not been taken on 18 deposits worth Rs.75,000 exceeding two years as at	Action should be taken in accordance with Financila Regulations.	Accepted.

31 December of the year under review.

(b)	Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel combustion test had not been performed on 15 vehicles.	Action should be taken in accordance with the circular.	Accepted.
(c)	Public Administration Circular No. 09/2009 dated 16 April 2009	No finger scanners had been used to confirm arrival and departure.	Action should be taken in accordance with the circular.	Accepted
(d)	Treasury Circular IAI / 2002/02 dated 28 November 2002	No separate register on computers and computer accessories had been maintained.	Action should be taken in accordance with the circular.	Accepted

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 16,427,119 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 19,998,377 for the preceding year.

2.2 Revenue Administration

2.2.1 **Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears**

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, 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	7,775,156	7,811,522	6,899,556	5,158,524	7,242,344	7,486,528	7,739,205	4,246,558
Rents	7,712,662	5,937,287	5,899,927	302,107	8,655,806	6,866,960	6,891,002	264,747
Licence Fees	4,501,101	4,392,295	4,392,295	-	3,789,575	4,107,975	4,107,975	-
Other Revenue	30,739,000	21,823,589	43,069,301	49,498,525	25,746,640	20,791,266	73,817,112	70,764,237
Total	50,727,919	39,964,693	60,261,079	54,959,156	45,434,365	39,252,729	92,555,294	75,275,542

2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
Out of the total deficit income of the Sabha at the beginning of the year under review amounting to Rs. 75,275,542, only a sum of Rs. 38,543,660 or 51.23 had been collected.	Steps need to be taken to recover the deficit income, and further legal action should be taken to recover the arrears.	Accepted. It is informed that I will take all possible action in terms of powers to collect arrears of revenue.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken on the outstanding assessment tax amounting to Rs. 2,840,375 existed as at 31 December of the year under review.	Action should be taken in terms of Section 158 of the Act to recover arrears of taxes.	Accepted.

2.2.4 Rents

Audit Observation	Recommendation	Comments of the Accounting Officer

In terms of Section 159 of the Pradeshiya Sabha act No.15 of 1987, no action has been taken in respect of outstanding rents of Rs.1,506,902 as at 31 December of the year under review.

Action should be taken in terms of Section 159 of the Act.

Accepted
Action will be taken in terms of Section 159 of the Act.

2.2.5 Court Fines and Stamp Duty

(a) Court Fines

Audit Observation

The total court fines that were due as of 31 December of the year under review amounted to Rs. 45,724,975.

Recommendation

Receivables should be accounted for timely and recovered efficiently.

Comments of the Accounting Officer

Accepted

(b) Stamp Duty

Audit Observation

Stamp Duty to be received as at 31 December of the year under review was Rs. 3,773,600.

Recommendation

Receivable stamp duty should be recovered efficiently.

Comments of the Accounting Officer

Accepted

03. 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 to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) By-laws

Audit Observation

By-laws had not been enacted for the accomplishment of 28 main activities under section 126 of the Pradeshiya Sabha Act.

Recommendation

Action should be taken to enact by laws..

Comments of the Accounting Officer

Accepted.
Action will be taken to enact by laws.

(b) Solid Waste Management

Audit Observation

In the year under review, a garbage collection center had been set up at a cost of Rs. 863,212 and a waste compression machine worth Rs.755,766 had been received on 31 January 2019. Nevertheless, the garbage collected in the area had been improperly released to the environment without segregating at the two locations of Habarana Sevanagama and Ambulgaswewa

Recommendation

Waste management should be done properly.

Comments of the Accounting Officer

Accepted.
Plans have been drawn up to use the garbage collection center and compact machine for the new waste management program.

(c) Environmental Issue

Audit Observation

The irregular disposal of garbage at two locations in the area of authority of Sabha has caused great environmental damage, air pollution by burning polythene and plastics, and a health hazard to the elephants who consume the waste.

Recommendation

Disposal of garbage should be properly carried out.

Comments of the Accounting Officer

Accepted.
Since the solid waste program has been launched, there is no possibility to take place such incident in the future.

(d) Sustainable Development Goals

Audit Observation

The Sabha was unaware of the United Nations 2030 Agenda on Sustainable Development Goals.

Recommendation

The Sabha should fulfill its duties and functions to achieve the 2030 Sustainable Development Goals.

Comments of the Accounting Officer

Accepted.
Action will be taken to inform the Sabha.

3.2 Management Inefficiencies

Audit Observation

Five shops in the Habarana town belonging to the Sabha had been subleased. Legal action could not be taken as the agreement did not include the terms of the agreement that prohibited these subleasing.

Recommendation

Conditions should be included in the agreement that the subleasing is prohibited and the steps to be taken in case of carrying out subleasing.

Comments of the Accounting Officer

Accepted
A strong agreement will be formulated and re-entered into agreements with the shopkeepers and necessary action will be taken according to the agreement.

3.3 Human Resource Management

Audit Observation

- (a) There were 23 vacancies for 11 posts in the Sabha and the management had not taken action to fill those vacancies.

Recommendation

Staff vacancies should be filled and the financial and operational efficiency of the Sabha should be improved.

Comments of the Accounting Officer

Accepted.
The Local Government Commissioner, the Chief Secretary and the Provincial Public Service Commission have been requested to fill these vacancies.

- (b) Although the maximum amount of distress loan granted to an officer is limited to Rs. 250,000 in terms of Section two of the

The credit limit should not exceed as per the circular instructions and payments made beyond the limit

Accepted

Circular No. 30/2008 dated 31 December 2008 of the Secretary to the Ministry of Public Administration and Home Affairs, a sum of Rs. 237,934 exceeding the distress loan limit had been paid to 04 officers.

should be recovered speedily.

3.4 Operating Inefficiencies

Audit Observation

Based on the assessment of assessment tax in 2004, assessment tax had been charged in the year under review.

Recommendation

Assessments should be properly assessed and recovered.

Comments of the Accounting Officer

Accepted.

Requests have been made to the Department of Valuation to obtain the property valuation.

3.5 Assets Management

3.5.1 Failure to carry out maintenance and repairs

Audit Observation

Three tractors and a motor bicycle worth Rs. 597,000 belonging to the Sabha that could have been repaired had been parked in the premises of the Sabha without doing repairs.

Recommendation

Vehicles that are suitable for use should be repaired and used, and the non-economic vehicles should be disposed of.

Comments of the Accounting Officer

Accepted.

Mechanical Engineer has been assigned to repair two tractors. The tractor and the motorcycle have been referred for auction.

3.5.2 Assets that have not been transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had not taken over the ownership of 24 plots of land containing in extent 31 Acres 2 Root 8 Perches, which contained in the documents as belonging to the Sabha.	Action should be taken to acquire the lands owned by the Sabha.	Accepted Necessary action will be taken to acquire the lands owned by the Sabha.
(b) Two tractor trailers and two water bowsers of the Sabha valued at Rs. 490,000 were running without registration.	All the vehicles should be registered before the use.	Action is being taken for the registration.

3.5.3 Idle and Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(b) The garbage waste management yard and 4 digestion tanks built at Ambulgaswewa at a cost of Rs. 2,500,000 in the years 2004 and 2005 remained idle without being used.	Action should be taken to utilize the idled assets.	Accepted. Four digestive tanks are to be used for making composts .
(b) Eight buildings worth Rs. 9,269,000 belonging to the Sabha remained idle without being used.	Action should be taken to utilize the idled assets.	Accepted. Relevant steps will be taken

4. Accountability and Good Governance

Implementation of Audit and Management Committees

Audit Observation

Recommendation

Comments of the
Accounting Officer

According to the circular No. DMA / 2009 / (1) (i), dated 28 January 2016, issued by the Management Audit Department of the Ministry of Finance, the Audit and Management Committee meetings were not held for the year 2018.

Audit and Management Committees shall be held in accordance with the Circular.

Accepted.
It is informed that necessary arrangements will be made to conduct Audit and management committees as expeditiously as possible.