

**Kalawana Pradeshiya Sabha  
Ratnapura District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 20 May 2019.

**1.2 Qualified Opinion**

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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 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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Audit observation	Recommendation	Comment of the Accounting Officer
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(a) At the end of the year under review due acreage tax had been mentioned Rs.16,799 more.	Action should be taken to rectify the balance of due acreage tax.	Action will be taken in the future to correct.
(b) There were Rs. 41,657 excess allocation of creditors at the end of the year under review.	The balance of the creditor must be specified at the end of the year correctly.	Take note of corrections in preparation of next year's financial statements.
(c) Rs. 18,210 submitted to the Commissioner of Inland Revenue was recorded as a debt repayment of the Local Loans and Development Fund and the due debt balance was undervalued by that amount. According to the balance confirmation letters There was a difference of Rs. 1,411,932 in Local Debt and Development Fund loan balances at the end of the year under review.	The correct credit balance must be accounted by making the relevant adjustments.	Noted to check and correct the documents.
(d) At the end of the year under review there was a difference of Rs. 23,634,314 between the financial statements balances and	The relevant changes have to be identified and settled.	Action will be taken to correct in preparing next year's accounts.

the balances of the supporting documents in 13 accounting subjects.

- (e) The information required to review three accounting subjects, total of Rs. 273,361 had not been submitted for audit. Required information should be submitted for audit. Detailed information should be submitted for audit. Noted to find out and submit the details of these accounts.

## 2. Financial - Review

### 2.1 Financial Result

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.260 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.6,041,023.

### 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 appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 <sup>st</sup>	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 <sup>st</sup>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,385,155	3,257,175	3,523,564	3,187,549	3,927,856	3,043,821	3,194,633	3,903,524
(ii) Rent	3,200,250	5,299,846	5,132,945	5,108,105	6,317,300	4,016,018	4,067,850	5,082,076
(iii) License fee	528,680	481,940	481,940	-	3,372,051	542,185	471,185	-
(iv) Other Revenue	37,491,818	30,628,384	34,899,166	13,893,730	9,218,437	8,583,336	1,510,087	16,536,420

#### 2.2.2 Rates and Taxes

	Audit observation	Recommendation	Comment of the Accounting Officer
(a)	As at 31 December 2018, the outstanding assessment balance	A systematic program should be implemented	Plans are afoot to launch a new program to recover arrears in

was Rs. 1,853,538 and it include to recover the future.  
 Rs. 661,493 to be recovered from outstanding revenue.  
 74 assessment units over 5 years.

- (b) At the end of the year under review the outstanding acreage tax balance was Rs. 486,951 and it include Rs. 156,631 to be recovered from 187 units over 5 years. A systematic program should be implemented to recover the outstanding revenue. Revenue Inspectors are conducting an acreage tax inspection. According to that fact action will be taken to recover the arrears.

**2.2.3 Rent**

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Audit observation	Recommendation	Comment of the Accounting Officer
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(a) The lease of shops in the new building has not been revised in contravention of sub-section 1.5 of the Local Government Commissioner's Circular No. 01/2009 dated 09 March 2009. Furthermore, due to lower rent from shops Rs. 188,100 had been recovered less from 20 boutiques in the year under review.	Action should be taken to assess the shop rent once in 5 years and recover the new value.	The Department of Valuation has been informed to amend the shop rent of the public market. Steps will be taken to revise and recover the rent as soon as the new valuation is received.
(b) The rent for 16 former public market stalls has not been revised since 2007, and no information about the key money collected from the shopkeepers, which were available without formal agreements, was submitted to the audit.	Shops should be assessed and come in to agreements properly.	I will look into the details of key money and submit them to the next audit. It will take a new valuation for these shops and charge them accordingly.

**2.2.4 Other revenue**

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Audit observation	Recommendation	Comment of the Accounting Officer
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According to the Pradeshiya Sabha act, the council had failed to collect the fee of 01% of the revenue from the two hotels registered with the Tourist Board in the area.	Action should be taken to recover the relevant charges.	Tourist hotels have been identified and one of them has charged 1 percent. Other organizations have been informed by post to obtain a 1% fee.

### 2.2.5 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
As of December 31, 2018, there were Rs.972, 292 court fines due to the council from the Chief Secretary of the Provincial Council and other authorities.	Earnings that are due to the council should be collected without delay.	Scheduled court fines for 2018 have been prepared and sent to the Commissioner of Local Government. Court fines for the last four months of 2018 have not yet been received by the date the financial statements are prepared.

### 3. Operational review

#### 3.1 Performance

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

##### (a) Action plan

Audit observation	Recommendation	Comment of the Accounting Officer
The four-year development plan had not been identified and the long-term goals and objectives expected to be achieved by the Council. Further, the revenue expected to be collected under the sub-activities within the relevant time frame of the action plan and the industries expected to be implemented during the last four months of the year under development sub-activities were not clearly identified.	A formal annual action plan and a four year development plan should be prepared to achieve the goals and objectives of the council.	Action will be taken to prepare a four year development plan for 2019 to correct the shortcomings shown.

**(b) Not achieving the desired output level**

Audit observation	Recommendation	Comment of the Accounting Officer
(i) The budget for the year under review for 25 development projects was Rs. 15,950,000 and it was unable to be implemented due to lack of funds.	The Council must work to obtain the necessary funds to achieve the budgetary targets.	There have been insufficient funds to carry out development projects.
(ii) 14 public requests made on development projects in the area the Council failed to implement due to the delay of funds.	The council should pay more attention to the people's requests for development projects in the area.	As Stamp Duty Receivable received in the last month of 2018 there was not enough time to do the industry.

**(c) Solid Waste Management**

Audit observation	Recommendation	Comment of the Accounting Officer
In the year under review, dredging of garbage collected by the council without implementing a proper waste management program was undertaken. Rs. 288,237 had been expended.	Formal solid waste management program must be designed and implemented.	Estimates for a waste-management center and compost production project have been prepared and submitted to the Pilisar Project of the Ministry of Environment. Necessary steps will be taken to construct the building as soon as it is approved.

**(d) Sustainable Development Goals**

Audit observation	Recommendation	Comment of the Accounting Officer
Although the Council is aware of the Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area are not yet worked out by December 2018.	Long-term plans must be formulated and implemented in line with the 2030 Agenda for Sustainable Development.	At present, several programs have been planned and implemented for the sustainable development of the public in the area of authority. The remaining 14 development goals are expected to be implemented in the future.

### 3.2 Human Resource Management

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Audit observation	Recommendation	Comment of the Accounting Officer
----- The balance to be charged from five employees who retired and transferred was Rs. 41,954 .	----- Arrangements have to be made to settle the outstanding debt balance	----- They have been informed in writing to pay the outstanding amount.

### 3.3 Procurement

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#### Contract administration

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Audit observation	Recommendation	Comment of the Accounting Officer
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(a) As the provision of Rs. 194,895 is insufficient to cover the net and surround the volleyball ground at Pothupitiya Vidyalaya it has been covered with a mesh on one side of the cord and as electricity to the playground was also not met and the intended objective has not been fulfilled.	Action must be taken to achieve the objectives of the industry.	Though the work has been served to us by the name of "cover and surround the volleyball ground of Pothupitiya Vidyalaya and electricity supply "and we have been assigned to monitor the projects, the allocation was only Rs. 200,000. As the amount was insufficient, with the sum of money given, only one side was covered on the request of the principal.
(b) Related to 06 Road Concrete works and in relation to three work headings in Lighting of the Gangalagamuwa Stadium, Rs. 43,554 had been overpaid.	Overpayments must be recovered.	Recover overpaid Rs.39,185 from the retention amount for the above works and the balance of Rs. 4,369 will be recovered from the relevant society.

### 4. Accountability and good governance

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#### 4.1 Budgetary control

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The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

Audit observation	Recommendation	Comment of the Accounting Officer
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(a) In the year under review total of Rs. 8,065,000 total provisions with respect to 20 expenditure headings had been remained.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	When making a payment voucher, its expenditure header is not correctly marked and the appointment of the Board of Members in April, 2018, has also impacted the balance of allocation of expenditure heads.
(b) From the total allocation of Rs. 6,524,400 for the 15 headings under review in the year under review, a percentage of 41 percent to 98 percent had remained.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Since the appointment of the new MP for the year 2018 took place in April, the provision has been remained due to the expending period has been shorten by four months.

#### **4.2 Audit and Management Committees**

Audit observation	Recommendation	Comment of the Accounting Officer
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Steps have not been taken to establish and implement the Audit and Management Committees.	Audit and Management Committees should be established and implemented.	Take measures to establish and conduct Audit and Management Committees in year 2019.