

Kolonna Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

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 22 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 financial statements give a true and fair view of the financial position of the Kolonna 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

	Audit observation	Recommendation	Comment of the Accounting Officer
(a)	Salary comprehensive income for the year under review had been accounted Rs. 301,541 less.	Salary comprehensives should be properly accounted .	Recognized the difference. These will be corrected as the final account for 2019 is prepared.
(b)	Salary and Member's allowances due at the end of the year under review accounted to Rs. 41,440 less were under-reported.	Current assets for the year must be properly accounted.	Recognized the difference. These will be corrected as the final account for 2019 is prepared.
(c)	Excess allocation of creditors for the previous year amounted to Rs. 200,483.	Adjustments are required for excess allocation.	Recognized the difference. These will be corrected as the final account for 2019 is prepared.
(d)	Cash balance in financial statements had been stated Rs. 187,934 more.	The reasons for the difference should be identified and settled.	This change has come and gone over the years and measures are being taken to correct it.
(e)	The surplus for the year under review had been credited to the cumulative fund Rs. 321,549 less.	The less credited value should be adjusted to the accumulated fund.	Recognized the difference. These will be corrected as the final account for 2019 is prepared.

1.4 Non-compliance

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

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

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a)	Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken on lapsed deposits valued at Rs. 389,458 relating to the period from the year 2002 to 2016.	Action should be taken in terms of financial regulations.	The relevant deposits will be released in future.
(b)	Section 3.1 of the Public Administration Circular No. 30/2016 dated December 29, 2016	Two vehicles owned by the council have not been tested for fuel combustion test.	The fuel combustion test shall be carried out in accordance with the circular.	Steps will be taken to carry out fuel combustion tests immediately.

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 2018 amounted to Rs.6,140,777 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.7,678,718.

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 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	952,000	983,154	1,027,574	214,672	854,000	1,087,363	1,069,580	8,614
(ii) Rent	4,404,814	4,435,691	4,255,369	-	4,568,080	3,649,074	3,644,855	-
(iii) License fee	1,032,900	1,076,893	1,076,893	-	726,900	958,004	958,004	-
(iv) Other Revenue	8,753,225	9,643,820	10,713,656	8,905,259	6,703,125	7,936,659	5,137,308	10,429,825

2.2.2 Rates and Taxes

Audit observation

Recommendation

Comment of the Accounting Officer

The Sabha had unanimously decided in 2014 to name a few selected areas in the Sabha area as developed villages, with the approval of the Commissioner of Local Government. But the approval of the Sabha was not granted for the declaration in 2018. Although the developed villages had been identified, assessable tax revenue that the Sabha could collect from those areas had been lost due to the lack of Sabha approval, and the development and welfare activities in the area which could have been fulfilled, had stopped.

The Sabha should take action to gazette the identified developed areas and collect the assessments.

Since the Sabha did not agree to this, the future arrangements have become a problem. Action will be taken to re-inform the Sabha and name these areas as developed areas.

2.2.3 Other Revenues

Audit observation

Recommendation

Comment of the Accounting Officer

- (a) The Sabha had failed to collect a sum of Rs. 40,151 due from the four water projects.
- (b) A tax of Rs. 195,875 had to be collected from the Kolonna weekly fair.

Action should be taken to recover arrears.

Legal action should be taken against the non-recoverable deficit.

Action will be taken to recover the outstanding amount as soon as possible.

It has been decided to take legal action to collect the arrears of the Kolonna weekly fair.

2.2.4 Court fines and stamp fees

Audit observation

Recommendation

Comment of the Accounting Officer

The court fines and stamp fees of the Chief Secretary of the Provincial Council and other authorities by 31 December 2018 respectively was Rs. 858,747 and Rs. 64,600 in the year of review.

Action should be taken to recover the court fines and stamp fees with cut delay.

Steps will be taken to obtain stamp fees and court fines from the Provincial Council.

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 annual budget for 2018 has allocated Rs. 9.6 million from, decentralized and Sabha funds of Provincial Councils to improve roads in the area, But none of the development projects expected to be implemented have been identified by the annual action plan.	The development projects that are expected to be implemented through the provisions of the Annual Budget should be clearly identified in the Annual Action Plan.	Receiving the Provincial Council grants in 2018 was very poor and the did not receive the required allocations were not received by Central Government. Due to this, it was not possible to implement any development projects that were intended to be implemented for various sectors such as development and water projects.

(b) Solid waste management

Audit observation	Recommendation	Comment of the Accounting Officer
By the end of the year under review, the Sabha had failed to plan and implement a formal waste management program.	A formal solid waste management program should be planned and implemented.	Preparing and maintaining a composting center for decaying waste is being prepared with relevant project reports and plans. Next month I will direct them to the Solid Waste Center of the Ministry of Local Government and Provincial Councils. The required estimates for the construction of Solid Waste Management Center have been prepared and forwarded to the Chief Ministry of Sabaragamuwa Province.

(c) Environmental issues

Audit observation	Recommendation	Comment of the Accounting Officer
(i) The Sabha had approved cutting down 278 dangerous jackfruit trees, of which 130 had not been	Approval for the felling of trees should be given only after they have been	Steps will be taken to remove dangerous trees with strict scrutiny and control.

verified as risky.

identified as endangered.

- (ii) On inspection, it was confirmed that 43 out of 65 jack trees issued the permit by the Sabha had been cut down with the intention of obtaining timber without any danger.
- Approval for the felling of trees should be given only after they have been identified as risky.
- Steps will be taken to order to remove dangerous trees with strict scrutiny and control.

(d) Sustainable Development Goals

Audit observation	Recommendation	Comment of the Accounting Officer
Although the Sabha is aware of the 2030 Agenda for Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the area through the global indicator for those goals have not been made by December 2018.	Sustainable development plans need to be formulated and implemented.	Action will be taken towards achieving the Sustainable Development Goals and make necessary long-term plans.

3.2 Management inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
The Sabha had failed to settle Rs. 33,000 Sabha member advance payments in 1998 and Rs. 50,310 temporary pension payments from May 1994 to April 1997 by the end of the year.	Action should be taken to cover the respective advances.	In 1994, a temporary pension was paid to a health worker who served in the Kolonna Pradeshiya Sabha. The Commissioner of Pensions and the commissioner of Local Government has been consulted in this regard and action will be taken according to the instructions.

3.3 Human Resource Management

Employee vacancies and excess

Audit observation	Recommendation	Comment of the Accounting Officer
As per the approved and actual staff information of the Sabha, there were nine vacancies in	Vacancies need to be filled and recruitments should be formalized based on service	The relevant posts are already vacant. Three employees have been recruited on service agreements for

respect of 07 posts and three requirements. had been recruited for the posts of Drivers and Library Assistants under service agreements.

the posts of Drivers and Library Assistants, and one post of Development Officer is in excess.

3.4 Asset Management

3.4.1 Assets that have not been transferred

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The land ownership of the 37 cemeteries owned by the Sabha has not been settled.	Action should be taken to clear the ownership of the lands.	There are 37 documented lands identified as cemeteries. The acquisition of these lands is currently underway.
(b) By the end of the year it had failed to settle the ownership of a plot of land at Wijeraiya Market.	Land ownership must be settled.	The Kolonna Divisional Secretary has been requested to legally hand over the relevant land.

3.4.2 Neutral / Underutilized Assets

Audit observation	Recommendation	Comment of the Accounting Officer
Action had not been taken to repair and use or disposal three vehicles and machines removed for the used from 03 years up to 10 years to the value of Rs. 3,904,050.	Repairs and maintenance should be carried out without delay.	Relevant vehicles and vibrate machines need to be repaired. Action will be taken in the future.

3.4.3 Vehicle utilization

Audit observation	Recommendation	Comment of the Accounting Officer
A tractor that had been removed from running from March 2014 to November 2015 due to non-repairs, although it had been repaired in 2015 expend Rs. 52,570 and due to the lack of a driver, it was not used at the end of the year under review.	The assets of the Council should be utilized effectively.	It will be notified that the tractor would be in operation.

3.5 Procurement

3.5.1 Procurement plan

Audit observation	Recommendation	Comment of the Accounting Officer
During the year under review Rs. 966,562 had been procured but no procurement plan had been prepared.	An annual procurement plan should be prepared.	Although no procurement plan has been prepared for the year 2018, the relevant goods and equipment have been legally obtained by calling for bids on the decisions of the Council. A Procurement Plan for 2019 has been prepared.

3.5.2 Contract administration

Audit observation	Recommendation	Comment of the Accounting Officer
(a) A total of 48,729 had been paid for non-performing work, For 5 working subjects of Kukulua Ela paddy field's Dam development project which estimated cost was Rs. 948,250.	Additional payments must be recovered.	Overpaid Rs. 48,729 will be deducted from the retention amount.
(b) Though the Dombagahawella development was completed by 21 September 2018 with the expenditure of Rs. 830,419, due to the canal being built above the dam level the dam that was completed could not be reused. Also, Rs. 39,020 had been paid more for 182kg of tor steel.	The industry needs to complete the remaining work and recover the overpayments in order to get the desired outcomes.	Work has been completed on grants received and the remaining provisions have been requested, but not approved. And actual over payment of Rs. 6,912 /- will be recovered from the contractor's retention.

4. Accountability and good governance

Management and Budgetary Control

The Sabha has failed to utilize the annual budget as a financial controller because of the following.

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The entire provisions totaling Rs. 10,223,000 made relating to 19 Objects in the year under review had been saved.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Provisions were allocated from the budget but the expected activities could not be carried out under these expenditure subjects. Therefore, Attention will be paid to this regard when preparing the budget for the coming year.

- (b) Out of the total provisions of Rs. 27,524,964 made for 28 objects in the year under review, the savings had ranged from 40 percent to 98 percent of the total provisions. Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively. Provisions have been allocated from the budget for various expenses of the office and payment for work and work done. Accordingly, the savings in the allocated budget will be shown and I will pay more attention to this in the preparation of the budget for the coming year.