

Kalutara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 15 July 2019 and 23 September 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of 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 Kalutara 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 Basics for the Qualified Opinion

a) Accounting Deficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
i. A television cost of Rs.69,998 and a lot of library books received as a donation in the year 2018, 03 computers received as a donation in the year 2017 and a cab received in the year 2015 had not been capitalized.	The accounts should be corrected in the year 2019.	Actions would be taken to account it accurately from the Final Accounts of the year 2019.
ii. Industrial Debtors and Capital Expenditure had been overstated by Rs.84,647.	The accounts should be corrected in the year 2019.	Actions would be taken to correct in 2019.
iii. Actions had not been taken to realize and remove the cost value of 46 items of assets sold out in the year under review from the fixed assets accounts and fixed assets registers.	The Cost of the assets sold should be removed from the accounts and the registers	It could not be removed from the accounts because the Cost of the Assets and the date purchased could not be realized.

iv. The book value of the stock of Rs.3,558,258 had been accounted except accounting the physical value. the physical value should be accounted in the stocks. Actions would be taken to follow the correct method.

b) Unreconciled Accounts

Audit Observations

Recommendations

Comments of the Accounting Officer

A difference of Rs.3,617,888 between the balances of 04 items of accounts in the Financial Statements of Rs. 37,741,517 and its balances shown in the subsidiary registers.

The differences in the accounts should be reconciled and corrected.

Actions would be taken to find out and correct the differences in the future.

c) Accounts Receivable and Payable

Audit Observations

Recommendations

Comments of the Accounting Officer

i. The Value Added Tax payable continuously coming from 08 years of Rs.285,883 and the Nation Development Tax continuously coming from 02 years of Rs,9,061 had not been settled as at 31 December 2018.

Actions should be taken to settle the balances.

The advices to correct the balances had been requested from the Department of Inland Revenue and actions would be taken to correct it after the advices received.

ii. The Street Lamp Income of RS.450,000 had not been received by the Sabha continuously coming from 05 years.

Actions would be taken to recover or write-off the income.

Street Lamp Income had not been written-off because It had not been informed to write-off.

d) Lack of Necessary Documentary to Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Accumulated value of Rs.73,018,616 on four items of accounts could not be satisfactorily vouched during the audit due to non rendition of update Fixed Assets Register, and the Detailed Subsidiary Documents.

The Fixed Assets register should be updated.

Those items had been included in the Register of items Descriptions when purchasing the Machinery and Equipment, Furniture and Fittings.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Pardeshiya Sabha Act No.15 of 1987				
(i) Section 134(1)		The real estate had not been identified by the Sabha located within the areas stated as developed by the Sabha and had not made a new assessment for rates.	New Assessments should be done for the rates.	The new houses built inside the rates zone had been sent to obtain a new tax assessment to the District Assessing Officers.
(ii) Section 160		The forbidding property as the final step of charging the rates in arrears had not been done.	Actions should be taken to forbid the property as the final step of charging rates in arrears.	A list had been prepared and forwarded to acceptance for Forbidding the property.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules				

	Rule 218		Sufficient actions had not been taken to survey, or assess in other way on the Lands owned by the Sabha correctly and make fencing as to confirm the ownership and lifted Name Boards.	Actions should be taken to realize the Land owned by the Sabha and confirmed the ownership.	A report had been obtained by a board of survey in the year 2017 to identify the Lands owned by the Sabha. Actions had been taken to appoint a Board of Survey for the year 2018.
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 517	1,507,653	Actions had not been taken about the Deposits expired.	Actions should be taken according to the Financial Regulations.	Actions had been taken to add into the revenue the deposits expired 02 years and actions would be taken to add the deposits in the Nagoda Sub-office expired 02 years.
(d)	National Procurement Guidelines Section 3.9.1	3,024,929	05 Contracts had been given to the contractors without verifying the qualifications of the contract unions under the direct contracting for community based organization method.	When offering contracts to the community based organizations the above qualifications should be considered.	When offering contracts under the above method Unions ability and the Financial Strength had been considered according to No.03/2012 actions would be taken to plan and offer contracts according to the committee decision in the year 2019.
(e)	Gazette No.2052 of Democratic Socialist Republic of Sri	100,700	The Fees had not been charged from 60 Bulletin Boards.	Actions should be taken to recover the fees from Bulletin	The fees for the year 2018 had been charged from 52

Lanka dated 29
December 2017

Boards.

boards by a notice and
actions would be
taken to remove the
rest.

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.7,712,853 as compared with the excess of the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,410,156.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	9,957,320	10,802,034	7,481,956	5,777,486	9,089,547	10,369,403	9,509,836	4,272,342
(ii) Rent	276,000	276,600	249,600	27,000	240,000	229,800	270,300	12,000
(iii) License Fees	2,460,000	682,209	3,497,320	-	602,000	3,927,666	3,927,666	-
(iv) Other Revenue	25,707,733	13,000,000	80,578,627	28,801,298	13,000,000	13,000,000	39,781,266	92,386,788

2.2.2 Rates and Taxes

Audit Observations	Recommendations	Comments of the Accounting Officer
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i. The arrears of Rs.4,390,477 had not been recovered as at 31 may 2019 from the rates in arrears at the end of the year of Rs.5,776,487.	Actions should be taken to recover the rates in arrears soon.	Actions would be taken to recover the arrears income.
ii. The arrears over 05 years of Rs.852,521 had been in the balance at the end of the year under review.	Actions should be taken according to the Act on rates in arrears.	Actions would be taken to recover the arrears by appointing officers of forbidding property.
iii. The actions had not been taken to recover 465 units of 03 Grama Sewa Divisions rates billed Rs.481,442 for the year under review.	Actions should be taken to recover the rates in arrears soon.	The areas Paraduwa Diyagama, Dodammulla had been always caught by floods so the charging of rates had being stopped by the political authorities. However, officers of forbidding property, had been appointed and red notices had been issued to commence forbidding the property.

2.2.3 License Fees

Audit Observations	Recommendations	Comments of the Accounting Officer
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i. 17 business institutions obtained the trade license in the year 2017 had not been obtained the license for the year 2018 within the Waskaduwa Sub-office territory.	Actions should be taken to issue trade license for the year 2018.	Out 17 businesses 06 had not been done any business in the year 2018.

- ii. The accounts certified by a Chartered Accountant had not been forwarded by 09 Hotels and Cafeterias registered in the Tourist Board When charging the 1 per cent tax. The 1 per cent tax should be charged on an accounts set certified by a chartered accountant. Actions would be taken to obtain a certified accounts set by a chartered accountant in the future and if not the hotels would be sued.

3. Operating Review

3.1 Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) <u>By-laws</u> Even though by-laws should be imposed on 16 main matters under the Section 126 of the Pradeshiya Sabha Act as at 31 December 2018, the by-laws had been imposed only on 04 matters.</p>	<p>Action should be taken to allocate necessary by-laws on the matters that had not been considered.</p>	<p>04 By-laws published in the gazette on 23 August 1998 had been agreed by the 15 By-laws published in the gazette on 28 May 2015.</p>
<p>(b) <u>Action Plan</u> Provisions allocated of Rs.107.52 from the budget 2018 had not been decided the need of impress or made an impress plan.</p>	<p>The annual impress need should be decide and include in the action plan.</p>	<p>The tasks should be done according to the action plan correctly in the future.</p>
<p>(c) <u>Projects not Implemented</u> Action had not been taken to implement 03 projects in the Action Plan during the year under review.</p>	<p>The projects included in the Action Plan should be completed.</p>	<p>It would be implemented in the year 2019.</p>
<p>(d) <u>Performance Evaluation</u> Sabha had no specific method to supervise and measure the progress of the evaluation of Action Plan.</p>	<p>The Progress of the annual Action Plan should be supervised and measured.</p>	<p>The procedure had being made to supervise the progress of the Action Plan in the future.</p>
<p>(e) <u>Targets of Sustainable Development</u> New policies and strategies had not been identified and made the provisions under the Department of Budget Circular No.BD/CBP/4/1/2-2018 on 31 July 2017 and Goals and Targets had not been clearly identified.</p>	<p>The targets of Sustainable Development should be recognized and included in the Action Plan.</p>	<p>This error would be corrected in the budget in the year 2019 and Plan had been made from the year 2019 to the year 2030 Sustainable Development</p>

3.2 Management Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
The Lease Rent from Leasing the Nagoda Parking Lot for the year 2017 of Rs.970,404 had not been recovered in the year 2019.	Actions should be taken to recover the parking lot lease rent.	Legal actions had been taken to recover the arrears.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
a) Even though 06 labourers had been recruited during the year under review for the projects No any project had been carried out by the Direct labour Basis.	Actions should be taken to complete the project by the Direct labour Basis.	The laborers recruited under project basis had been joined for the Premix Division till 14 August 2019 by the acceptance of the Commissioner of Local Government.
b) Actions had not been taken to recover a loan balance from an officer interdicted of Rs.197,060 and an officer diseased over 02 years Rs.111,930.	The Loan balances in arrears should be recovered.	the legal actions had been taken to recover the balance from the interdicted officer and the spouse had been agreed to recover the balance of the diseased officer.

3.4 Operating Inefficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
The Average Monthly Balance of the Current Account of the Sabha had been Rs.45 million but actions had not been taken to give priority to use that money for public needs or Invest that money in Fixed Deposit and to earn Interest Income.	Balance of the Current Account should be given priority to use for public needs or invest it in Fixed Deposits and earn Interest Income.	The necessary balance had been maintained in the purpose of purchasing Assets for the Development Projects carried out in the Sabha. Also Rs.25.25 million balance had been remained as debtors

3.5 Idle/ underutilized Assets

Audit Observations

Recommendations

Comments of the Accounting Officer

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| <p>a) The Building built in the year 2017 for collecting the not decaying material from the Provincial Council Provisions of Rs.2,996,332 and the bailer machine received as donations for bailing the garbage of Rs.494,500 had been remained idles as at 31 march 2019.</p> | <p>The Assets should be utilized.</p> | <p>The Bailer Machine had been installed inside the building and the bailing had been done regularly but the Process had to be stopped because of the Public Protests.</p> |
| <p>b) 45 barrels of tar had been remained idle purchased at the end of the year 2016 for Rs.591,300.</p> | <p>Actions should be taken to use the Barrels of Tar.</p> | <p>03 Projects had been planned to implement in the year 2019 using these Barrels of Tar.</p> |
| <p>c) Even though the “Nenasala” Centre had been closed in the year 2017 18 items of Assets and equipments purchased had been remained idle in the Nagoda Sub-office since 31st March 2019.</p> | <p>Actions should be taken to use Assets and equipments purchased.</p> | <p>The Nenasala Center closed in the year 2017 had been started again in the year 2018 with recruiting new officers hope to locate in Waskaduwa Building for now as more crowded place.</p> |

3.6 Assets Management

Audit Observations

Recommendations

Comments of the Accounting Officer

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|---|---|--|
| <p>a) Actions had not been taken to repair and use a Generator of 12.5 KV received as Donation in the year 2017 from the Disaster Management Centre that had been inactive over a year.</p> | <p>Generator should be repaired and used.</p> | <p>Answers had not been given.</p> |
| <p>b) Actions had not been taken about 772 library books misplaced.</p> | <p>Actions should be taken about 772 library books misplaced.</p> | <p>The Survey had been completed for the year 2018 and it would be forwarded to the monthly meeting on 09 July 2019.</p> |

3.7 Procurement

Contract Administration

Audit Observation

Sand, Chips Stones and Tar needs had been estimated and purchased accordingly for 03 projects to develop roads and had been given without a specific method of measuring progress to Contract Unions and paid Rs,1,075,730.

Recommendation

A procedure should be made to purchase the material needs under the estimates.

Comments of the Accounting Officer

Purchasing material and measuring would be done by the Technical Officer.