

**Kobeigane Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 28 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 14 July 2020 and 17 July 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Kobeigane Pradeshiya Sabha as at 31 December 2019 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
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(a) No provision had been made for audit fees for the year under review.	Provision should be made for audit fees	Action will be taken to make provisions for audit fees form the coming year.
(b) A sum of Rs. 19,568,370 spent in the years 2018 and 2019 for the construction of the new building of the Pradeshiya Sabha had been omitted the accounts.	Necessary adjustments should be made to accounts.	When preparing financial statement for the coming year, action will be taken to correct that value through a journal entry.
(c) A sum of Rs.409,500 spent for the purchase of a motor grader had not been accounted for under motor vehicles and carts.	Necessary adjustments should be made to accounts.	When preparing financial statement for the coming year, action will be taken to correct that value through a journal entry.

(d) There was a difference of 298,424 between the financial statements and the schedules with regard to the employee loan balance as at the end of the year under review	Reasons for the difference should be looked for and necessary adjustments should be made.	Action will be taken to correct it in the future.
(e) Due to non-submission of schedules, machinery, furniture and fittings and library books totalling Rs. 39,177,942 could not be satisfactorily verified during the audit.	Evidence confirming the account balance shown in the financial statements should be furnished.	It is kindly inform that the Machinery Schedule and the Furniture and Fittings Schedule have been omitted when compiling the Financial Statement.
(f) The schedules had not been updated properly with values for buildings with a total value of Rs. 110,526,325.	Evidence confirming the account balance shown in the financial statements should be furnished.	It is informed that action will be taken to correctly update the building values in the future.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure of the Sabha in excess of the recurrent revenue amounted to Rs. 8,059,313 for the year ended 31 December 2019 as against the revenue in excess of the recurrent expenditure amounting to Rs. 6,813,092 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	Year 2019				Year 2018			
	Estimated of Revenue	Billed Revenue	Collected Revenue	Total Arrears at 31 December	Estimated as Revenue	Billed Revenue	Collected Revenue	Total Arrears at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
I. Rates and Taxes -10	1,475,885	1,684,972	1,539,434	505,077	1,320,385	1,621,278	1,546,870	359,540
II. Lease Rents - 20	3,577,045	3,696,373	3,667,016	60,038	3,535,295	3,870,278	3,841,602	30,682
II. License Fees - 30	1,389,100	1,239,320	1,239,320	-	1,029,100	1,191,874	1,191,874	-
V. Other Revenue - 40,50,60,70	13,511,288	42,842,700	43,214,355	13,733,467	46,534,100	45,544,898	47,631,313	14,105,121
Total	19,953,318	49,463,365	49,660,125	14,298,582	52,418,880	52,228,328	52,893,520	14,495,343

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The arrears of Rates and tax due as at 31 December of the year under review was Rs. 484,551.	Action should be taken in terms of the Pradeshiya Sabha rules to recover the outstanding balances.	An amount of Rs. 73,129 has been recovered from this arrears and action will be taken to recover the remaining amount.
(b) Acreage tax of Rs. 20,526 remained recoverable as at 31 December 2019.	Action should be taken in terms of the Pradeshiya Sabha rules to recover the outstanding balances.	It is informed that action will be taken to recover the arrears.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Although it has been four years since handing over a shop in the Kobeigane bus stand to another party, no agreement has been reached with the new lessee.	Circulars of the Commissioner of Local Government (North Western) should be followed in connection with sub-leasing	Rents are being paid in the name of Chamila Jayamali at present for the A-1 shop and it is informed arrangements will be made to enter into that a new agreement.

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| (b) The Sabha had lost Rs. 25,650 in revenue due to non-leasing of 04 assets belonging to the Sabha for the year 2019. | The assets which cannot be given on long-term lease should be used for other productive purposes to generate revenue. | It is informed that the assets could not be given on lease due to not applying them by the applicants. |
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2.2.4 Court Fines and Stamp Duty

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as on 31 December of the year under review was Rs. 2,000,000 and Rs. 6,520,000 respectively.	Action should be taken to collect the receivable court fines and stamp duty and to bear the budgetary expenses.	It is informed that action will be taken to recover this money in future.

3. 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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) By-laws

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Although by-laws should have been enacted under Section 126 of the Pradeshiya	The Sabha should act in accordance with the by-laws adopted / enacted by	Arrangements are already being made to draft new by-laws.

Sabha Act to fulfill 30 key matters, in addition to the standard by-law, the Sabha had adopted two by-laws drafted by the Ministry of Local Government as at 31 December 2019.

the Sabha and new by-laws should be enacted as required.

(b) Environmental Issues

Audit Observation	Recommendation	Comment of the Accounting Officer
Twenty nine trade establishments which were required to obtain licenses had not obtained licenses within the jurisdiction on the Pradeshiya Sabha.	Licenses should be issued to the trade establishments which are required to obtain licenses.	Licenses have been informed to renew their licenses.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No action had been taken to recover the Rs. 331,659 remained in arrears between 01 and 03 years and Rs. 158,252 for over 03 years as at 31 December 2019.	Action should be taken to recover the receivable balances.	It is informed that action will be taken to recover the arrears.
(b) No action had been taken to settle a sum of Rs. 973,532 remained payable between 01 and 03 years and Rs. 2,715,615 remained payable for over 03 years as at 31 December 2019.	Action should be taken to settle the payable balances.	Action will be taken to settle the payable balances.

3.3 Human Resource Management

Cadre vacancies and excesses

Audit Observation	Recommendation	Comment of the Accounting Officer
----- There were 7 vacancies and 5 excesses in the secondary and primary services of the staff as at 31 December of the year under review.	----- Action should be taken to make recruitments for vacancies and to formalize excesses.	----- It is informed that the Department of Local Government and the Chief Secretariat have been informed regarding 02 vacancies and the relevant arrangements are being made to recruit for the labour posts .

3.4 Assets Management

3.4.1 Non-acquisition of Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- The land containing 06 acres where Sabha office, public library, playground and solid waste management center are located and a cab had not been taken over by the Sabha.	----- Action should be taken to acquire the relevant assets.	----- It is informed that all the activities related to the acquisition of the 06 acre land where the Sabha Office, Public Library, Playground and Solid Waste Management Center are located have been completed by now.

3.4.2 Idle/ Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
As at 31 December 2019, two bank current accounts with a balance of Rs. 91,057 remained dormant for more than two years.	Action should be taken to close or actively maintain dormant accounts.	It is informed that both these current accounts will be kept active in the future.

3.5 Un Identified Losses

Audit Observation	Recommendation	Comment of the Accounting Officer
The loss caused due to the accident of the backhoe loader belonging to the Pradeshiya Sabha on 05 August 2019 was Rs. 98,386 out of which Rs. 34,900 was not covered by insurance. Further, an investigation as per Financial Regulation 104 had not been conducted to determine the responsible persons in this incident.	Those responsible should be determined as per the Financial Regulation.	In this connection the driver said that the accident took place due to lack of a driver's assistant. An assessment was obtained by informing the relevant insurance company and after submitting it to the insurance company it was stated that they would not pay 10 per cent of the amount due on the legal condition of their insurance claim and accordingly it was approved to make payment from the council fund. It is informed that action will be taken in accordance with F.R 104 in the future.

3.6 Procurement

Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
----- A procurement plan had not been prepared to cover budgeted supplies and services.	----- The procurement plan should be updated and purchases should be made accordingly.	----- It is informed that a procurement plan will be prepared to cover the budgeted supplies and services.

04. Accountability and Good Governance

Internal Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Internal audit reports had not been submitted after 30 April 2019.	----- Internal audits should be carried out and those reports should be submitted for audit.	----- It is informed that action will be taken to submit monthly the internal audit reports in the future .