

Kahawatta Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 16 June 2020 and 15 June 2020 respectively.

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 Kahawatta Pradeshiya Sabha as at 31 December 2019 and the financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
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(a)	Fixed deposit interest revenue relating to the year under review had been understated by Rs.161,251 and deposits interest amount of Rs. 172,241 relating to the preceding year had been brought to account as interest of the year under review.	The revenue relating to the year should be recognized correctly and brought to account.	Action will be taken to rectify when preparing final accounts of the year 2020.
(b)	Administrative expenses receivable relating to the year under review amounting to Rs.151,214 had not been brought to account.	Revenue relating to the year should be recognized correctly and brought to account.	Action will be taken to rectify in the future.
(c)	The detailed schedules and confirmations of balances were not made available for audit for 02 items of accounts amounting to Rs.1,778,927.	The registers to confirm account balances shown in the financial statements should be furnished.	The evidence was not available in the Sabha.

1.4 Non-compliances

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	Comments of the Accounting Officer
(a) Public Administration Circulars			
(i) Circular No.30/2016 dated 29 December 2016 Paragraph 3.1	Fuel consumption test had not been carried out for 09 motor vehicles belonging to the Sabha.	Fuel consumption test should be carried out in terms of the circular.	Action is being taken to carry out fuel consumption test for the relevant vehicles.
(ii) Circular No.02/2018 dated 24 January 2018.	The performance agreements, that should be signed annually for the staff had not been signed even by the end of the year under review.	The performance agreements should be signed in terms of the circulars.	That will be executed during the year 2020.
(b) National Budget Circular No.02/2017 dated 25 July 2017.	Output indicators and main performance indicators relating to the output of institutional role had not been identified.	The relevant indicators should be identified in terms of the circulars.	Action will be taken in future to rectify deficiencies mentioned.
(c) Assets Management Circulars			
(i) Circular No.02/2017 dated 21 December 2017 Paragraph 2(i)	Action had not been taken for vesting of 08 motor vehicles utilized by the Sabha without having the registered ownership	Action should be taken in terms of the provisions of the circulars.	Necessary action is being taken for vesting of motor vehicles to the Sabha.

- (ii) Circular No.01/2018 dated 19 March 2018 Paragraph 02 (a) Action had not been taken to dispose 02 condemned vehicles belonging to the Sabha. Action should be taken in terms of the provisions of the circulars. The required action is being taken to dispose the vehicles.
- (d) Local Government Circular No.2018/e-Local Government 01 dated 19 July 2018. The sabha had failed to establish required facilities for providing opportunity to apply services through internet for the client. Action should be taken to provide efficient service to the clients in terms of the provisions of circulars. Action has been taken to provide respective facilities in future.

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 2019 amounted to Rs.4,222,608 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.5,077,670.

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	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	4,139,152	4,267,074	4,444,728	1,363,703	3,370,450	3,556,133	3,431,231	1,625,484
Lease Rent	8,170,277	6,564,472	6,596,722	781,919	8,186,805	6,231,484	6,124,980	794,419
Licence Fees	945,500	571,912	517,132	-	932,450	1,154,617	1,148,867	-
Other Revenue	<u>11,836,844</u>	<u>10,711,645</u>	<u>25,824,180</u>	<u>9,000,000</u>	<u>9,766,550</u>	<u>8,537,062</u>	<u>11,805,659</u>	<u>11,318,903</u>
	<u>25,091,773</u>	<u>22,115,103</u>	<u>37,382,762</u>	<u>11,145,622</u>	<u>22,256,255</u>	<u>19,479,296</u>	<u>22,510,737</u>	<u>13,738,806</u>

2.2.2 Rates and Taxes

Audit Observation

A sum of Rs.1,135,759 had been in arrear relating to 1348 assessment units at the end of the year under review and a sum of Rs.303,567 relating to 96 units which in arrear for over 05 years had included in above arrears.

Recommendation

Prompt action should be taken to recover revenue receivable to the Sabha.

Comments of the Accounting Officer

The red notices had been issued in September 2019 and it will be expected to issue restraining orders for the respective properties in the year 2020.

2.2.3 Licence Fees

Audit Observation

A revenue of Rs.296,000 had been deprived by the Sabha due to non-obtaining of environmental licences by 74 institutions which should be obtained environment licences.

Recommendation

Action should be taken to issue licences in accordance with the proper procedure to all institutions which should obtain Environmental licences.

Comments of the Accounting Officer

A survey had been carried out in respect of the industries for which should issue licences and required action is being taken to identify and issue the licences for the industries which had not been obtained the licences.

2.2.4 Court fines and stamp fees

Audit Observation

The stamp fees receivable for the first half of the year from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.2,440,810. The stamp fees receivable for the last half of the year had not been identified by the Sabha even by February 2020.

Recommendation

Prompt action should be taken to collect revenue receivable to the Sabha.

Comments of the Accounting Officer

Action will be taken to carry out relevant identifications after receiving the schedules.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha 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 under Section 3 of the Pradeshiya Sabha Act are given below.

(a) **Under-utilization of provisions**

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though, the provisions of Rs.102,615,000 had been allocated for capital expenditure, the capital expenditure incurred during the year under review amounted to Rs.39,578,129 only.

Action should be taken by the Sabha to collect money for the budgeted capital provisions.

As the capital grant had not been received as expected, the capital provisions allocated could not be utilized.

(b) **Solid Waste Management**

Audit Observation

Recommendation

Comments of the Accounting Officer

A proper solid waste management procedure had not been executed and the Sabha had failed for vesting the land for which disposing of waste at present.

Solid waste management programmes should be planned and executed.

The letters required to acquire the land had been referred and further action will be taken after receiving the replies.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to identify the unauthorized constructions and to remove or to regularize.

A procedure should be executed to identify the unauthorized constructions and to remove them or to regularize them.

Four unauthorized constructions identified the Andana area had been removed at present.

3.3 Assets Management

3.3.1 Assets not Recorded

Audit Observation

Recommendation

Comments of the Accounting Officer

The Registers of Assets relating to non-current assets amounting to Rs.98,594,794 as at the end of the year under review, had not been updated.

The Registers of Assets should be maintained in an updated manner.

Action is being taken to update the Registers relating to non-current assets belonging to the Sabha.

3.3.2 Failure to Perform Maintenance and Repairs

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) ----- The tractor which met with an accident in the year 2011 and handed over to a garage in the year 2017 for repairs paying an advance of Rs.73,175 had not been repaired even by the end of the year under review.	----- The maintenance and repair works of the vehicles should be carried out without delays.	----- It was informed by the garage that the tractor will be repaired as soon as possible.
(b) A tractor which remained in repair condition and not utilized for running for 03 years had not been repaired even by the end of the year under review.	The maintenance and repair works of the vehicles should be carried out without delays.	Action is being taken to repair.

3.3.3 Idle Assets

Audit Observation

The Gully bowser belonging to the Sabha had remained idle in the Sabha premises from November 2014 due to non-availability of a place to dispose sewage.

Recommendation

Action should be taken to give for another Local Government Institution which provided the relevant services.

Comments of the Accounting Officer

The tractor of the gully bowser has been utilized to collect waste with another trailer.

3.4 Procurements

Procurement Plan

Audit Observation

Even though, the procurement plan was not prepared for the year under review, the procurements valued at Rs.2,476,558 had been made.

Recommendation

An annual procurement plan should be prepared.

Comments of the Accounting Officer

A procurement plan for the year 2020 had been prepared.

4. **Accountability and Good Governance**
Unresolved Observations

Audit Observation

Even though the all immovable properties in the authoritative area of the Sabha should be assessed once in 05 years to recover rates, the properties had not been assessed after the year 2009.

Recommendation

The properties should be assessed once in 05 years.

**Comments of the
Accounting Officer**

The revision of the assessment for the year 2021 is being carried out at present.