

Kolonna 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 29 June 2020.

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 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	Comments of the Accounting Officer
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(a) A sum of Rs.3,518,880 incurred during the year to complete balance work of the Sabha building and making the stores had not been capitalized.	The relevant assets should be capitalized	Action will be taken to rectify when preparing accounts for the year 2020.
(b) The licence fee relating to the preceding year amounting to Rs.198,300 had been brought to account as revenue relating to the under review.	The revenue relating to the preceding year should be adjusted to the accumulated fund.	Action will be taken to rectify when preparing accounts for the year 2020.
(c) The water charges of Rs.88,400 relating to the year under review for which decided as could not be recovered had been debited to the accumulated fund.	The revenue relating to the year should be brought to account correctly.	Action will be taken to rectify when preparing accounts for the year 2020.
(d) Even though, the balance of the cash book as at the end of the year under review amounted to Rs.7,709,270, it was shown as Rs.7,897,204 in the statement of financial position and as such a difference of Rs.187,934 was shown.	The balances should be reconciled and the correct balance should be shown in the accounts.	Action will be taken to rectify when preparing accounts for the year 2020.

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| (e) | Even though, the balance of the motor vehicle and cart account as per the financial statements amounted Rs.24,341,834, the balance as per the schedule of the motor vehicles and carts as at that date amounted to Rs.29,047,137 and as such a difference of Rs.4,705,303 was shown. | The assets shown in the statement of financial position should be reconciled with the related schedules. | Action will be taken to rectify when preparing accounts for the year 2020. |
| (f) | Even though, a balance of stores creditors amounting to Rs.944,970 had been shown in the financial statement, under current liabilities from the year 2017 the detailed information relating to that was not available in the Sabha. | The evidence to confirm the account balances shown in the financial statements should be furnished. | Action will be taken to rectify when preparing accounts for the year 2020 |

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
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(a) Public Administration Circulars			
(i) Circular No.30/2016 dated 29 December 2016 Paragraph 3.1	The fuel consumption tests of 02 vehicles had not been duly carried out.	The repairs of the vehicles should be carried out in an updated manner and the fuel consumption tests should be carried out as well.	After being completed of repairs of the vehicles the fuel consumption tests will be carried out.
(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.	Action should be taken in terms of the provisions of Circulars.	Action will be taken to sign performance agreements during this year.

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| (b) | National Budget Circular No.02/2017 dated 25 July 2017 | Output indicators and main performance indicators relating to the output of the institutional role had not been identified. | The relevant indicators should be identified in terms of provisions of the Circulars. | The circulars referred, has to be studied and action will be taken accordingly. |
| (c) | 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 respective facilities to the clients in terms of the provisions of Circulars. | The circulars referred has to be studied and action will be taken accordingly. |

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.5,057,885 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,140,777.

2.2 Revenue Administration

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

The information relating 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	<u>2019</u>				<u>2018</u>			
	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	1,146,200	1,087,543	971,681	253,228	952,000	983,154	1,027,574	214,672
lease Rent	6,016,600	4,216,735	4,215,682	187,159	4,404,814	4,435,691	4,255,369	-
Licence Fees	1,129,475	1,407,846	1,407,846	-	1,032,900	1,076,893	1,076,893	-
Other Revenue	10,510,525	8,869,161	8,908,142	7,352,071	8,753,225	9,643,820	10,713,656	8,905,259
	<u>18,802,800</u>	<u>15,581,285</u>	<u>15,503,361</u>	<u>7,792,458</u>	<u>15,142,939</u>	<u>16,139,558</u>	<u>17,073,492</u>	<u>9,119,931</u>

2.2.2 Other Revenue

Audit Observation

The balance of arrears of water charges amounted to Rs.251,793 and a sum of Rs.16,698 out of the above arrears was older than 03 years.

Recommendation

Action should be taken to settle the arrears of water charges.

Comments of the Accounting Officer

The water supply connections relating to the arrears of water charges older than 03 years had been disconnected, and action will be taken to solve the prevailing problems and to recover the arrears of charges.

2.2.3 Court Fines and Stamp Fees

Audit Observation

The court fines receivable to the Sabha from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.2,634,072 and the Stamp fees receivable for the period from April 2015 to June 2019 amounted to Rs.484,700.

Recommendation

Revenue receivable to the Sabha should be recovered expeditely.

Comments of the Accounting Officer

At present the court fines has been received and action will be taken to recover stamp fees.

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 comfort, facilities and well-being of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Action Plan

Audit Observation

Even though, the provisions of Rs.13.35 million had been made in the annual budget of 2019, from Provincial Council decentralized funds and Sabha funds for the improvements of the roads of the authoritative area of the Sabha no development project envisaged to execute had been identified by the Action plan specifically.

Recommendation

The activities envisaged to execute from the provisions allocated for the development works through annual budget should be included in the action plan.

Comments of the Accounting Officer

Most of the development works are expected to execute as per the provisions of the Provincial Council and Central Government but those works are difficult to identify early.

(b) Solid waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

The Sabha had failed to plan and execute a proper waste management programme even by the end of the year under review.

Action should be taken to make provisions and to execute the proposed waste management project.

The composts project will be commenced after receiving the provisions from the Ministry of Provincial Councils and Local Government and at present action was taken to collect the waste separately as bio-degradable and solid waste and for sale of solid waste.

3.2 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

The post of Secretary post of Technical Officer and the post of Revenue Inspector had remained vacant.

Action should be taken to fill vacancies which are necessary.

The Provincial Council had been informed in several times in respect of the vacancies of the posts in the Sabha.

3.3 Assets Management

Idle Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) After the Pradeshiya Sabha had been shifted to the new building, the old building of the Sabha had not been utilized for any useful purpose.

The respective building should be utilized for effective purposes

It is envisaged to utilize the old Pradeshiya Sabha building for an effective purpose in future.

(b) As a cab vehicle and 03 tractors belonging to the Sabha had to be repaired they were not utilized for running for a period ranging from 03 years to 04 years. The water bowser of the Sabha had remained idle from 30 December 2016 as non-availability of a driver.

The assets should be maintained in an updated manner, and the action should be taken to fill the vacancies of drivers.

The provisions of the Sabha were not sufficient for repairs of the cab vehicle and as such the estimates had been furnished to obtain provisions thereon from the Provincial Council. The vehicles could not be utilized effectively due to the vacancies of drivers.

3.4 Procurements

Contract Administration

Audit Observation

Even though, the work of the soil cut and development of the Nandanagama, Ilukpalagoda Road, had been completed on 02 July 2019 and a sum of Rs.300,000 had been paid, the road was washed away and holes dug and could not be utilized for vehicle transport by 22 November 2019. As such the amount incurred had become a fruitless expenditure.

Recommendation

Action should be taken to utilize the Sabha funds effectively.

Comments of the Accounting Officer

That road which had become a jungle due to the heavy rains occurred in the previous days, had been repaired with the participation of the people of the area to take to the condition of vehicle transportation.

4. Accountability and Good Governance

Unresolved Observations

Audit Observation

The Sabha had failed even by the end of the year under review to get settled the members allowances of Rs.33,000 paid as advances from Sabha funds in the year 1998.

Recommendation

Action should be taken to settle the relevant advances.

Comments of the Accounting Officer

As per the instructions of the Provincial Council, action will be taken in the future to refer the matter to the General meeting and to write off the above advances.