

Kobeigane Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 21 March 2018 and the report of the Auditor General on the financial statements was issued to the Chairman of the Sabha 22 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 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 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) The value of the constructions of the Children's Park Kobeigane amounting to Rs.2,559,755 had not been brought to account.
- (b) The value of a trade stall given under long term lease basis had not been assessed and brought to account by the Sabha.

1.3.2 Unreconciled Control Accounts

The differences of Rs.407,755 was shown between the balances as per the financial statements and the balances as per the subsidiary registers as at 31 December of the year under review relating to 07 items of accounts.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover the balances amounting to Rs.34,995,252 recoverable as at 31 December 2017.

(b) Accounts Payable

Out of the balances of Rs.21,094,287 payable as at 31 December 2017 a sum of Rs.3,224,994 had remained unsettled for over a period of one year.

1.3.4 Lack of Written Evidence for audit

Due to non-submission of schedules, the furniture and fittings amounting to Rs.3,881,071 could not be satisfactorily verified in audit.

1.3.5 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	Value	Non-compliance
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	Rs.	
(a) Government Procurement Guidelines 2006.		
(i) Guideline 3.4.3(c)	219,900	In inviting quotations under shopping procedure, the quotations had been invited from the un registered supplies institutions as well.
(ii) Guideline 6.2.2		- In inviting bids for repairing of 03 motor vehicles and 01 machinery, action had not been taken according to the minimum period of bidding time of National Competitive Bidding.

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 2017 amounted to Rs.9,270,532 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,920,871.

2.2 Revenue Administration

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

The information with regard 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	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	805	1,110	1,063	263	1,214	898	506	215
(ii) Lease Rent	3,245	3,572	3,577	8	1,251	1,376	1,393	14
(iii) Licence Fees	1,026	1,046	1,046	-	670	1,174	1,174	-
(iv) Other Revenue	42,530	50,419	44,625	25,888	41,039	44,840	46,985	12,295
Total	47,606	56,147	50,311	26,159	44,174	48,288	50,058	12,524

Note :

Out of the arrears of revenue amounting to Rs.12 million existed as at 01 January of the year under review a sum of Rs.10 million collected had included in the collected revenue of the year under review.

2.2.3 Performance in Collection of Revenue

The billed revenue for the year under review amounted to Rs.56 million and a sum of Rs.50 million had been recovered in the year under review including a sum of Rs.10 million out of the arrears of revenue of the preceding years. The arrears of revenue as at 31 December of the preceding year amounting to Rs.12 million had increased up to Rs.26 million by 31 December of the year under review.

2.2.3 Rates and Taxes

A sum of Rs.51,739 had been recovered from the opening balance of the arrears amounting to Rs.215,312 while the arrears of rates and acreage tax recoverable as at 31 December of the year under review amounted to Rs.262,801.

2.2.4 Licence Fees

Even though, 535 trading institutions had been surveyed and issued applications to issue trade licences in the year 2017, only 300 out of that had been referred to the Public Health Inspector. Out of that, 77 only had been recommended for the licences while it was observed that 458 trade stalls had carried out the businesses without being obtained the trading licences.

2.2.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.4,983,802 and Rs.8,429,800 respectively.

3. Operating 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) **By-laws**

Even though, the by-laws should be imposed to execute 30 major functions under section 126 of the Pradeshiya Sabha Act, the by-laws had been imposed only for 07 matters by 31 December 2017.

(b) **Solid Waste Management**

The following matters were observed.

- (i) Even though, a sum of Rs.718,465 had been incurred in the year 2017 for the operational activities of the Solid Waste Management Centre belonging to the Sabha, the bio degradable waste had been dumped in the premises of the centre and the Sabha could not be produced the compost fertilizer to meet the demand due to lack of employees.
- (ii) As a bail machine was not made available to bail solid waste the work of compacting had been carried out by the labourers by using hands but the work

had not been carried out in an efficient level. Further, some of the solid waste had been buried daily in the land of the centre.

(c) **Sustainable Development Goals**

According to the 2030 Agenda of the Sustainable Development Goals, it was planned to implement the programmes such as gardening programmes to get rid of poverty, maternity and child care programmes to improve health and physical fitness, programmes for prevention of diseases, various awareness programmes, sports activities and youth development activities and ayurvedic clinics, constructions for improvement of infrastructure facilities and repairs and maintenance of roads.

3.2 Management Inefficiencies

The following matters were observed.

- (a) An Inventory Register for the assets including machinery, office equipment belonging to the waste management centre and a stock register in respect of production of composts and a register for sending material to Holcim Institute had not been maintained by the centre.
- (b) Despite that the engine of the cab vehicle belonging to the Sabha had been repaired by incurring Rs.1,276,600 on 27 March 2014 and about 50,000 Kilometres had been run, the engine of the vehicle had broken down on 10 August 2010. But required action had not been taken to repair the vehicle even by 09 March 2018.
- (c) As the details had not been maintained in respect of the number of operational hours of the machines and the vehicles obtained by the Sabha on rental basis from the external institutions, the money requested by those institutions amounting to Rs.2,287,606 could not be paid.

3.3 Operating Inefficiencies

Under the provisions of Strengthening of Pradeshiya Sabhas Programme, five mobile trade stalls at the rate of Rs.126,000 per trade stall were received to the Sabha. Even though, as per the project report, it was stated that the trade stalls will be established in suitable places and to commence business activities in the month of December 2017 itself, action had not been taken to select beneficiaries and to execute the relevant objectives even by March 2018.

3.4 Uneconomic Transactions

Without being enquired in respect of monthly interest rates from the competitive public finance institutions, a sum of Rs.2,500,000 had been invested as a fixed deposit in a public Commercial bank at the annual interest rate of 7.2 per cent by obtaining monthly interest.

3.5 Procurements

3.5.1 Procurement Plan

A procurement plan for the year under review had not been prepared by the Sabha.

3.5.2 Supplies and Services

The following matters were observed.

- (a) In purchasing of equipment for the main office the calling quotations had not been carried out in terms of the provisions of the Procurement Guidelines.
- (b) Four tyres amounting to Rs.161,000 had been purchased without calling quotations in terms of the provisions of the Procurement Guidelines.
- (c) Many deficiencies were shown in the procurement process for supplies/ services from calling quotations up to the time of selection of a supplier.
- (d) Even though the approval of the Management Committee had been given to purchase 03 computers only, the Sabha had purchased 08 computers 08 UPS and 05 virus guards by paying Rs.638,330.

3.5.3 Contract Administration

The following matters were observed.

- (a) The payments amounting to Rs.114,595 had been made exceeding the contracted amount in respect of 18 items of works of the construction of a lavatory system for the pre-school of Araluwewa.
- (b) Even though, a sum of Rs.344,378 had been paid under an item of work in concreting of Panawa Road acrossing upper Lolangwewa it was observed that the concrete layer is being totally breaking and arising metal and sand.
- (c) Despite, that the applying paint on the walls had not be carried out properly in the work of repairing Boraluwewa library, the entire amount of Rs.184,525 had been paid.

- (d) The laying pipe lines, and fixing of a water pump in respect of supplying water from the well constructed by spending Rs.1,156,092 in the year 2017 had not been executed even by 16 March 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

It was observed the savings ranging from 38 per cent to 100 per cent from the net provisions in respect of 14 Objects.

4.2 Internal Audit

Even though, an Internal Audit Unit had been established and 03 officers had been deployed, other duties also had been assigned them in addition to the duties in audit. The internal audit reports for the year under review had not been furnished to the Auditor General.

5. Systems and Controls

The deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls.

System -----	Deficiency -----
(a) Accounting	(i) Failure to account fixed assets. (ii) Posting errors in accounts.
(b) Assets/ Properties	(i) Failure to ensure security. (ii) Non-maintenance properly.
(c) Revenue Control	Weaknesses in recovery of arrears of revenue.
(d) Projects/ Contracts	(i) Non-availability of adequate supervision. (ii) Deficiencies in preparation of estimates.