

Kaluthara Pradeshiya Sabha
Kaluthara District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 04 March 2020 and the report of the Auditor General on 30 July 2018 and the Detailed Management reports on 30 September 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described under the Section of basis for the qualified opinion of this report, Financial Statements give a true and fair view of the financial position of the Kaluthara 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

1.3.1 Accounting Deficiencies

Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
(i) Salary arrears paid amounting to Rs.211,962 during the year 2007 to 2018 had been accounted as an expenditure of the year under review.	Should be accounted properly.	Noted that since provision were not made for the payment of arrears of salary, the relevant expenditure had been done in the year under review.
(ii) Fixed assets amounting to Rs.57,600 had been bought using the Salary and Wages vote and the said assets were not capitalized.	Should be accounted correctly.	Action will be taken to account correctly.
(iii) Library books amounting to Rs.183,540 had been bought in the year under review had not been capitalized.	Should be accounted correctly.	Action will be taken to account correctly.
(iv) The book valued of the stock amounting to Rs.3,281,111 was accounted as Stock value instead of being accounting to physical stock	Should be accounted correctly.	Since the stock verification was not completed as at the end at

	values of the financial statements in the year under review.		the year, the book value was accounted.
(b)	Unreconciled accounts ----- Audit observations ----- A difference of Rs.4,356,613 was seen between 02 items of accounting amounting to Rs.18,882,930 and their sub registers and a difference of Rs.254,969 was seen in the Financial Statement between 02 items of accounting amounting to Rs.3,199,031 and their Expenditure Ledger.	Recommendations ----- Should be reconciled after comparing the balances.	Comments of the Accounting Officer ----- Accounts will be corrected after considering this matter.
(c)	Receivable and Payable accounts. ----- Audit observations -----	Recommendations -----	Comments of the Accounting Officer -----
(a)	An amount was not received by the council regarding 03 projects and an amount of Rs.1,460,165 to be received in the preceding years.	Action should be taken to collect the relevant funds.	Noted it is to be received from the Kaluthara Provincial secretary and the Local government commissioner.
(b)	An amount of Rs.3,422,277 to be paid to Contract Societies for 39 projects in 2014 to 2018 had not been settled even up to the end of the year under review.	Action should be taken to pay to the relevant societies.	Noted that the actions are being taken to do payments.
(d)	Lack of documentary evidence for Audit ----- Audit observations ----- Furniture and equipment amounting to Rs.3,644,267 could not be satisfactorily vouched in audit since detailed schedules were not presented.	Recommendations ----- Detailed schedules should be presented.	Comments of the Accounting Officer ----- Noted that the value of some Furniture and equipment could not be identified related to some years and action is being taken to rectify in future.

1.4 Non-compliance

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

References to the Laws, Rules, Regulations and Management decisions	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
	Rs.			
(a) 1987 Pradeshiya Sabha Act No.15				
(i) Section 21		An identification had not been done to identify the number of roads existing and the number of roads to be repaired belong to the Council.	The entire system of roads should be identified.	Noted that the relevant work for identification of roads is being done.
(ii) Section 134(1)		A new identification for Assessment tax was not done by the council.	A new identification should be done for assessment tax.	Noted that identification is being done.
(iii) Section 149		One per cent tax from two institutes registered in the Tourist Board had not been collected. Also, only the cafeteria income was taken in consideration when collecting tax from 07 institutes.	One per cent tax should be collected from institutes registered under the Tourist Board.	Noted that the institutes were notified to pay the one per cent tax and Observations and recommendations from Local Government institutes were requested related to the collections from these institutes.
(iv) Section 160		Property was not prohibited as the last step of collecting arrears of assessment.	Arrears of assessment should be collected as soon as possible.	Noted that a part of the arrears was collected.

(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation 571 (1) (2)	1,727,956	Action had not been taken regarding the maturity deposits.	Action should be taken in accordance with the financial regulations.	Noted that action is being taken to get the matured deposits as income.
(c)	Paragraph 3.1 of Public Administration Circular of No.2016/30 dated 29 December 2016		Fuel consumption tests for 20 vehicles had not been done	Fuel consumption test should be done for the vehicles.	Noted that action is be taken to conduct fuel consumption tests.
(d)	Gazette No.2098 of the Democratic Socialist Republic of Sri Lanka dated 16 November 2018 of	116,500	An amount of Rs.116,500 was not collected from 22 Advertisement boards in the area of authority in the Vaskaduwa Sub-office.	Advertisement board charges should be recovered.	Noted that most of the boards that have not paid have been taken down and the remaining boards are notified to pay charges.

2. Financial review

2.1 Financial Results

According to the Financial Statements presented, the Revenue over Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.58,581,142 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.7,712,853.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	10,467,358	10,708,440	10,283,908	6,691,260	9,957,320	10,802,034	7,481,956	5,777,486
Rent	276,600	322,800	292,300	57,500	276,600	276,600	249,600	27,000
Permit fees	2,562,000	3,891,908	3,891,934	-	2,460,000	682,209	3,497,320	-
Other income	75,000,000	75,000,000	57,729,893	90,666,065	25,707,733	13,000,000	80,578,627	28,801,298
Total	88,305,958	89,923,148	14,468,142	97,414,825	38,401,653	24,760,843	91,807,503	44,605,784

2.2.2 Performance of collection of income

(a) Assessment and Tax

Audit observations	Recommendations	Comments of the Accounting Officer
(i) An arrears of Rs.670,199 due from less than one year, an arrears of Rs.3,221,665 due from 01 to 03 years, an arrears of Rs.547,644 due from 03 to 05 years and an arrears of Rs.286,282 due from more than 05 years was seen as at the end of the year under review.	Action should be taken to collect the arrears.	Noted that the action is being taken to collect the arrears of income.
(ii) Action had not been taken to recover sums by Rs.481,442 within the year under review from 465 assessment related to 03 Grama Sevaka Division.	Tax should be charged since it was not released from the assessment tax.	Noted that action should be taken as according to the Commissioner of Local Government since problems have arisen when collecting Assessment tax from those areas.

(b) Business and Industry tax

Audit observations

No Business tax was collected in 2019 from 05 Medical Centers from which business tax was collected in 2018 by Vaskaduwa Sub-Office within the area of authority.

Recommendations

Business tax should be collected.

Comments of the Accounting Officer

Noted that Survey reports were not taken for the year 2019 but survey reports were taken for the year 2020 and were noted to pay the Business tax.

(c) Permit Fees

Audit observations

12 Businesses institutions within the area of authority of the Vaskaduwa Sub-Office that obtained Trade permits in 2018 but not obtained Trade License for 2019.

Recommendations

Trade License should be issued for operating Businesses.

Comments of the Accounting Officer

Only the list of Institutes that obtained License is given.

2.2.3 Court fines and Stamp fees

Audit observations

(a) Court fines

Amounts of Rs.3,000,000, Rs. 3,000,000 and Rs.15,000,000 were billed for 2017, 2018 and 2019 respectively but only Rs.10,950 was received as at the end at the year under review.

Recommendations

Arrears of income should be recovered.

Comments of the Accounting Officer

Noted that action is being taken to recover the money in future.

(b) Stamp fees

Stamp fees amounting to Rs.69,677,015 was to be taken from the Chief Secretary of the Provincial Council and other authorities at 31 December 2019.

Arrears of income should be collected.

Noted that action is being taken to collect in future.

2.2.4 Three-wheel income

Audit observations

Although there was 398 three wheels in 34 registered three-wheel parks within the area of authority of the Vaskaduwa sub-office, money was collected from only 39 three wheels and as such the three-wheel due income amounted to Rs.315,400.

Recommendations

Arrears of income should be collected.

Comments of the Accounting Officer

Noted that three wheel income could not be collected as planned.

3. Operational Review

3.1 Performance

Audit observations

Recommendations

Comments of the Accounting Officer

(a) By laws

Although by laws was supposed to be enacted to do 16 main facts under the Paragraph 126 of Pradeshiya Sabha act yet by laws were only enacted for 04 main facts as of 31 December 2019.

By laws should be enacted for facts whom by laws should be enacted for.

Noted that 15 by laws made published by the Gazette dated 28 May 2015, 04 by laws issued by the 1988 Gazette and a By-Law for three wheels were enacted.

(b) Activities out of the Action plan

108 projects amounting to Rs.45.18 million out of the action plane had been initiated within the year.

Action should be done in accordance to the action plan.

Noted that since priorities change with natural disasters, and as such action had been done accordingly.

(c) Irregular maintenance of roads

Although provision amounting to Rs.13 million was done for the repair of roads under the Physically planned roads, yet an annual maintenance list had not been made as according to provision priorities. Although raw materials amounting to Rs.1,005,440 was bought for the construction and repair of roads yet the council

An annual maintenance plan should be prepared as according to the grants priority of provision.

Noted that it will be corrected in 2020.

was not in possession of detailed records on how it was used.

(d) Solid waste management

A successful method to dispose of garbage was not made after preparing a systematic plan for the management of garbage.

Garbage management should be done according to a systematic plan.

Noted that garbage in 35 per cent of the area of authority of the council is being collected and a five-year plan for the management of garbage is being prepared.

(e) Sustainable development Goals

Although 07 goals of sustainable development were identified by the council, provision were only made for 02 of the above said goals. And adequate projects to bring the goals of sustainable development closer were not done.

Required grants should be made for the identified goals of sustainable development and priority for the said projects should be given.

Noted that when initiating projects as according to the Sustainable development plans, it can be done via the sponsorship of external institutes and by the Labour contribution of the council.

3.2 Management inefficiencies

Audit observations

Action had not been taken to write off from the accounts and dispose of vehicles identify by the Motor vehicle survey report as unusable.

Recommendation

Unusable vehicles should be write off from accounts and disposed.

Comments of the Accounting Officer

Action will be taken to dispose in the future.

3.3 Human resource management

Audit observations

Vacancies and Excess of Staff

(a) A Management Assistant Grade 1 officer was appointed as acting officer for the vacant post of Secretary.

Recommendation

The necessary vacancies should be fulfilled

Comments of the Accounting Officer

Noted that the said duties of the secretary position are given till a permanent

officer is appointed to the said position as according to the approval of the Public Service Commission since 2015.

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|-----|---|---|---|
| (b) | An excess of 01 Management position Assistant and vacancies of Drivers, field labor and Health Labor position vacant. | Excess of cadre should be formalized and vacancies should be recruited. | Noted that there is an excess of 01 Manager Assistant position. |
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3.4 Asset management

3.4.1 Inactive and Underutilized assets.

Audit observations -----	Recommendation -----	Comments of the Accounting Officer -----
(a) A building built for gather non degradable garbage amounting to Rs.2,996,332 by provision using grants from the council in 2017 was left idle and the bailing machine given by the Provincial Secretariat office for the bailing of garbage was left idle as well.	Assets should be used for the entire work.	Noted that it was decided that the bailing machine was to be fixed in the Pohorawatta garbage filling land during the discussions between the council and the Western province Waste management authority and the building is currently being used for the work of the health sector.
(b) Office equipment including 05 computers used for the Nanasala Center closed since March 2017 was left idle in the Nagoda Sub-office.	The Nanasala center should be opened and used.	Noted that it was decided to relocate the Nanasala to a new building in the Vaskaduwa Library and the relevant equipment is being used in the Nagoda Sub office and Nagoda Public library.

3.4.2 Failure to do the revaluation of assets

Audit observations -----	Recommendation	Comments of the Accounting Officer
Instead of including the entire value of the Land and Building belonging to the council into the Financial Statements, only few values of Land and Buildings taken from the new assessment value was given in the financial reviews shown statements.	All fixed assets should be accounted.	Noted that action will be taken in to account unaccounted assets after assessment.

3.4.3 Vehicles Utilization

Audit observations

Action had not been taken either repair and use or to dispose 02 Tractors, 04 Trailers, 02 Hand tractors and a water bowser belonging to the council.files

Recommendation

Actions should be taken to repair or dispose.

Comments of the Accounting Officer

Noted that action is being taken to dispose.

3.4.4 Identified Losses

Audit observations

Action had not been taken to recover the losses incurred due to displacement of 772 Library books.

Recommendation

Action should be taken to investigate the reasons of the displacement of books and losses should be recovered from the responsible officers.

Comments of the Accounting Officer

Noted that action is being taken to collect the losses.

3.5 Procurement

Audit observations

- (a) Payments amounting to Rs.1,031,455 have been made for the supply of raw materials for the contract societies for 04 projects initiated by the council.

Recommendation

Raw materials should be bought after making designs after identifying roads that are to be constructed.

Comments of the Accounting Officer

Noted that answers cannot be given since the required files could not be identified properly.