

Kegalle Pradeshiya Sabha
Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 02 March 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 and 19 August 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 Kegalle 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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The land and buildings had been under stated by Rs.160,354 in the statement of financial position.	Should be brought to account accurately.	Action will be taken to rectify in preparing accounts in the future.

1.4 Non-compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not been taken in respect of 02 lapsed deposits of works amounting to Rs.174,576 deposited during the period between the year 2015 and 2017.	Action should be taken in terms of Financial Regulations.	Required action will be taken to check whether the cash on hand has been paid and to settle.

- (b) Public Administration Circular No.30/2016 dated 29 December 2016 Paragraph 3.1 Fuel consumption tests of 04 motor vehicles belonging to the Sabha had not been carried out. Action should be taken in terms of the provisions of Circulars. Action will be taken to carry out fuel consumption tests of respective vehicles immediately.
- (c) Government Procurement Guidelines. Guideline 5.4.4(i) Without submission of an acceptable advance payment guarantee, advances amounting to Rs.478,831 as twenty per cent (20%) of the contract sum had been paid for 4 works. Advances for contracts should be paid after obtaining a bond. Comments not furnished.

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.19,121,179 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.29,303,136.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and 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	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
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i Rates and Taxes	3,141,361	3,270,677	2,295,497	975,055	3,257,700	3,126,224	2,317,130	998,819
ii Lease Rent	559,200	0.00	0.00	96,341	128,000	106,000	120,360	96,341
iii Licence fees	500,000	635,500	635,500	0.00	600,000	615,615	615,615	0.00
iv Other Revenue	65,244,846	75,580,468	39,955,840	47,497,775	57,330,000	74,140,516	38,895,644	39,735,670

2.2.2 Rates and Taxes

Audit Observation

Action had not been taken to recover the rates and taxes and acreage tax of Rs.893,910 which had been in arrear for over one year.

Recommendation

Action should be taken as per the provisions of the Sections of the Pradeshiya Sabha Act and action should be taken to recover the arrears of revenue.

Comments of the Accounting Officer

Action will be taken either to recover or to write off that arrears in the future and the activities of restraining of properties for other assessment units are being carried out.

2.2.3 Lease rent

Audit Observation

The arrears of lease rent from the lessees of trade stalls in the Moronthota Trading Complex relating to the period between the year 2006 and 2009 amounted to Rs.95,989. Action had not been taken to institute legal action. in terms of Section 1 of the related agreement.

Recommendation

Action should be taken to recover arrears of trade stall rent in terms of the agreement.

Comments of the Accounting Officer

Action will be taken in the future to recover money that could be recovered, and to write off the money that could not be recovered.

2.2.4 Court Fines and Stamp Fees

Audit Observation

The court fines and the stamp fees receivable from the Chief Secretary and other authorities as at 31 December 2019 amounted to Rs.9,057,480 and Rs.35,138,314 respectively.

Recommendation

The revenue receivable to the Sabha should be recovered immediately.

Comments of the Accounting Officer

During the year 2020, a sum of Rs.3,220,895 was received out of the court fines receivables and a sum of Rs.26,661,445 was received out of the stamp fees receivables during the year 2020. The requests has been made to obtain the balance of arrears.

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 thoroughfares and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) By-laws

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

Forty two by-laws passed, were accepted and only one by-law was enacted for the weekly fair in the year 2013.

Action should be taken to enact by-laws.

Comments not furnished.

(b) Action Plan

Audit Observation

Recommendation

**Comments of the
Accounting Officer**

According to the Annual Action Plan, it was planned to identify, acquire and to record the properties belonging to the Sabha. Nevertheless, those functions could not be executed due to non-availability of deeds of the lands and the deficiencies shown in the deeds.

Action should be taken to identify and record the properties belonging to the Sabha.

There are transfer orders in the deeds register to confirm the existence of some cemeteries out of the cemeteries included in the Register of Fixed Assets. Legal advice is being sought to establish the ownership of other cemeteries.

(c) Solid Waste Management

Audit Observation

Recommendation

**Comments of the Accounting
Officer**

Due to the inability to find a suitable land, no waste collection other than the solid waste with market value had been done. Even though, the bio-degradable waste is disposed of in a bio cell and destroyed by open fire, no

Waste management should be streamlined.

The collection of the bio-degradable waste at business premises in small towns has been done by the Sabha and is currently planning a suitable method for composting the waste. The business places, houses and schools in the

action had been taken to formulate a systematic program to generate revenue for this purpose.

authoritative area have the opportunity to manage the bio-degradable waste on the same spot and the Sabha conducts regular awareness programmes on the subject.

(d) Environmental Problems
Audit Observation

Recommendation

Comments of the Accounting Officer

Since the Sabha does not have a suitable land for the disposal of gully waste, the gully service was provided only to those who has a land or a place.

A suitable place should be provided for the disposal of gully waste.

As the Pradeshiya Sabha jurisdiction extends over the less urbanized rural areas, most of the people can find a place to dispose of waste in their own backyards.

3.2 Management Inefficiencies
Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Action had not been taken to recover works debtors receivables less than 3 years and over 3 years as at 31 December 2019 amounted to Rs.478,645 and Rs.658,773 respectively.

Action should be taken to recover the balances receivable immediately.

Comments not furnished.

(b) The total balances of accounts payable exceeded more than one year period as at 31 December 2019 amounted to Rs.4,197,338. It included the creditors and deposits of Rs.3,287,071 and Rs.910,267 remained between 2 and 3 years and between 4 and 5 years respectively.

Action should be taken to settle old payable balances.

Comments not furnished.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- There were 07 vacancies in the permanent cadre relating to 5 categories of posts as at 31 December 2019 while excess cadre stood at 05. The post of works overseer had remained vacant from 30 July 2019 and a heavy vehicle operator as well had not been recruited. Further, the post of watcher also had remained vacant from 30 June 2019 while an employee had been deployed for that purpose on the basis of service agreement.	----- Action should be taken to fill essential vacancies and get surplus staff approved.	----- As there is no opportunity to recruit a new post for the post of works overseer, a senior employee has been deployed for the supervision works of the post. An employee had been deployed on the basis of service agreement for the post of the watcher and the applicant for the post of heavy vehicle operator had failed the interview.

3.4 Assets Management

3.4.1 Failure to Receive Revenue due from Assets.

Audit Observation	Recommendation	Comments of the Accounting Officer
----- According to the budget of the year 2019, it was expected to earn revenue from the vehicles. But a revenue between 1.5 per cent and 1.6 per cent of the expected revenue only had been earned from the JCB machine, tractor, road roller and the electric generators.	----- Action should be taken to achieve the estimated targets.	----- The electric generator was taken on rent only in April and the other vehicles could not be rented out due to some faults in the vehicles.

3.4.2 Failure to ensure Security of Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) A land in extent of 01 acre 26.2 perches was given to the Sabha in the year 2012 for common purposes had become a jungle insecurely while attention had not been paid to protect the land by fixing boundary posts around the land and use it for an effective purpose.	----- Action should be taken to protect the assets.	----- The Sabha report pertaining to the fence had been approved and the relevant proposal has been submitted to the Technical Officer for preparation of estimates.

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| (b) | Action had not been taken to secure 14 cemeteries included in the Register of Fixed Assets by using enclosures around while the documentary evidence was not made available to confirm the existence. | Action should be taken to protect the assets. | Necessary action will be taken to fix fences around the cemeteries and to prepare name boards in the future. |
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4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The expenditure of Rs.63,288,258 had been incurred exceeding the provisions of the object 309/4.	Action should be taken to approve the provisions.	This expenditure could not be estimated specifically and the expenditure incurred exceeding the provisions due to the variances in this gross estimate and the actual receipts.
(b) The entire provisions made in the budget to purchase capital assets amounting to Rs.16,500,000 had been saved.	Action should be taken to allocate provisions in a planned manner and to utilize those provisions effectively.	In purchasing capital assets some heads of expenditure could not be implemented.

4.2 Unresolved Audit Observations

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Five staff loan balances amounting to Rs.221,704 that should be recovered due to interdiction, suspension of service and vacated of post during the period from the year 2015 to 2019 had not been recovered in terms of Section 1.6 of the Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka.	Action should be taken to recover loan balances in terms of the provisions of the Establishments Code.	Even though, it was informed through letters to settle these money, action had not been taken to settle up to now. As such, action will be taken to inform them again and to inform sureties and to recover the money.

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| (b) | The Director General of the Central Environmental Authority had recommended that 10 acres of land purchased by incurring Rs.4,275,000 in the year 2014 for the Waste Management Project was unsuitable for that project. Accordingly, as the land was not utilising for any other suitable purpose it had become an idle asset. | Action should be taken to utilize for any other purpose. | Comments not furnished. |
| (c) | Action had not been taken to transfer 6 motor vehicles valued at Rs.41,864,734 and a tractor and a trailer valued at Rs.4,281,000 received in the periods between the year 2011 and 2015 from the Ministry of Local Government and the Sabaragamuwa Provincial Council. | Action should be taken in terms of the provisions of the Assets Management Circular No.02/2017 dated 21 December 2017. | The requests had been made by letters in several times to transfer the vehicles to the Sabha, and also went to the Ministry and made requests. The relevant vesting activities will be carried out as soon as the current situation in the country is over and the state institutions are restored. |
| (d) | Action had not been taken either to repair and utilize or to take any other suitable action on the double cab vehicle valued at Rs.625,000 and a tractor valued at Rs.346,878 which were not in running condition since the year 2013. | Action should be taken either to repair and utilize or to dispose. | As there are no documents required for disposal of the double cab vehicle, further action will be taken after the preparation of the documents. As per the relevant circular for disposal of the tractor, it was submitted to the Hon. Chairman for the approval to appoint relevant committees. |