

**Kotapola Pradeshiya Sabha  
Matara District**

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**1 Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented to audit on 16 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 30 July 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Kotapola Pradeshiya Sabha give a true and fair view of the financial position 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**

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**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed in audit.

- (a) The sum of Rs.202,038 receivable for a work had not been brought to account.
- (b) Capital aid receivable for 17 work had been overstated by Rs.1,252,347.
- (c) The capital expenditure of Rs.1,032,694 payable for 13 work had been overstated.
- (d) The expenditure on renovations to 5 water projects amounting to Rs.1,749,080 and the construction value of 25 stalls of the Sabha amounting to Rs.2,931,436 during the year under review had not been capitalized.
- (e) The hand tractor assessed at a value of Rs.99,000 had not been capitalized.
- (f) The Kotapola Land Registry had approved the stamp fees revenue. This had been understated by Rs.1,173,130.
- (g) The total value of closing stock had been understated in the accounts by Rs.107,446.
- (h) The sum of Rs.4,289,585 payable to the Department of Pensions had not been brought to account.

### **1.3.2 Unreconciled Accounts**

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Differences totalling Rs.3,732,292 were observed between the balances of 08 items of accounts totalling Rs.17,148,154 as per financial statements and the related subsidiary registers/schedules.

### **1.3.3 Suspense Account**

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Action had not been taken to settle the balances of Suspense Account amounting to Rs.255,674 which continued to be brought forward in the accounts.

### **1.3.4 Accounts Receivable and Payable**

#### **(a) Accounts Receivable**

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The following matters were observed.

- (i) Balances over 03 years amounting to Rs.28,345,374 had been included in the balances of work debtors totalling Rs.68,509,349 as at end of the year under review.
- (ii) The balances of entertainment tax receivable amounting to Rs.419,131 had exceeded a period of 10 years.
- (iii) Action had not been taken to identify and settle the balances of Rs.19,167,306 over 03 years included in the capital debtors as at end of the previous year. Instead, it had been deleted from the accounts.

#### **(b) Accounts Payable**

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Balances of Rs.28,995,075 over 03 years had been included in the capital creditors' balance totalling Rs.68,012,008 as at end of the year under review.

### **1.3.5 Lack of Necessary Documentary Evidence for Audit**

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Seven items of accounts totalling Rs.11,767,835 could not be satisfactorily vouched in audit due to non-rendition of necessary information.

### **1.3.6 Non-compliance**

#### **Non-compliance with Laws, Rules, Regulations and Management Decisions**

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Instances of non-compliance with laws, rules, regulations and management decisions appear below.

**Reference to Laws, Rules, Regulations and  
Management Decisions**

**Non - compliance**

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| (a) Section 140(1) of the Pradeshiya Sabha Act                              | New constructions had been made by 761 rate payers from 2005 to 2017. Action had not been taken to assess the properties accordingly and to recover rates and taxes according to the new assessment value.                           |
| <br>  |  |
| (b) 1998 Pradeshiya Sabha (Finance and Administration) Rules                |  |
| (i) Rule 33   | Action had not been taken to prepare a list of defaulters of rates and taxes and to prepare a list of restraining orders and act accordingly.  |
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| (ii) Rule 193   | A statement showing causes for surpluses and deficits resulting from the reconciliation of actual expenditure relating to Objects with the budgeted and supplementary approved expenditure had not been furnished with the accounts. |
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| (iii) Rule 199  | The numbers and dates of paid vouchers relating to goods had not been entered against each receipt entry of the general stores and the water stores.   |
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| (iv) Rule 218   | Action had not been taken to carry out annual verifications of land and buildings of the Sabha.  |
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| (c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka |  |
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| (i) Financial Regulation 110  | A register of losses and damages had not been maintained.  |
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| (ii) Financial Regulation 571   | Action had not been taken regarding the balances of refundable deposits totalling Rs.5,124,146 which had exceeded a period of 02 years.  |

## **2. Financial Review**

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### **2.1 Financial Results**

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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.15,701,806 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,796,793.

## 2.2 Revenue Administration

### 2.2.1 Estimate Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

The information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,477,000	1,373,838	1,362,574	790,655	1,383,000	1,539,233	1,608,584	779,391
Rent	6,998,000	5,007,233	5,306,819	156,810	9,096,500	5,531,840	5,309,029	456,396
Licence Fees	928,000	1,666,499	1,582,209	84,290	803,000	800,687	800,687	-
Other Revenue	19,014,200	20,743,816	14,314,710	26,930,617	15,669,000	13,701,487	22,267,431	20,501,511
Total	28,417,200	28,791,386	22,566,312	27,962,372	26,951,500	30,139,191	21,419,787	21,737,298

## 2.2.2 Performance in Collection of Revenue

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The total estimated revenue of the year under review amounted to Rs.28,417,200 and the amount billed was Rs.28,791,386. The total arrears at the commencement amounted to Rs.21,737,298 along with which the total amount receivable amounted to Rs.50,528,684. However, the total revenue collected during the year amounted to Rs.22,566,312 resulting in a total arrears of Rs.27,962,372 as at end of the year.

## 2.2.3 Rates and Taxes

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### (a) Rates and Taxes

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The arrears at the commencement of Rs.149,251 had become Rs.306,305 after adding the amount billed, that is, Rs.157,054. The total recoveries amounted to Rs.144,396 and as such the arrears of balance amounted to Rs.161,909 as at end of the year.

### (b) Acreage tax

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The arrears at the commencement amounted to Rs.211,008 and the amount billed for the year was Rs.49,069. The total recoveries amounted to Rs.50,462 resulting in an arrears of Rs.209,615 as at end of the year.

## 2.2.4 Rent

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### (a) Stall Rent

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The arrears at the commencement of Rs.102,925 added to the billings of Rs.1,457,000 had resulted in receivables amounting to Rs.1,559,925. The total recoveries were Rs.1,519,350. Therefore, the balance as at end of the year amounted to Rs.40,575.

### (b) Lease Rent of Fish Stall at the Fair

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The opening arrears of Rs.330,080 added to the billings of Rs.2,619,596 of the year resulted in receivables amounting to Rs.2,949,676. The total recoveries were Rs.2,841,241 and as such the arrears as at end of the year amounted to Rs.108,435.

## 2.2.5 Other Revenue

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### (a) Water Charges

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The opening arrears of Rs. 1,792,723 added to the billings of the year of Rs.3,396,730 resulted in receivables of Rs.5,189,453. The total recoveries were Rs.3,141,544. Therefore, the balance of arrears as at end of the year amounted to Rs.2,047,909.

### (b) Notice Board Charges

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The notice board charges of Rs.185,200 due since 2016 had not been recovered.

## **2.2.6 Court Fines and Stamp Fees**

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Court fines of Rs.2,726,642 and stamp fees of Rs.22,157,826 were receivable from the Chief Secretary of the Provincial Council and other authorities.

## **3. Operating Review**

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### **3.1 Performance**

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The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### **(a) Action Plan**

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An annual action plan showing duties to be fulfilled by the Sabha had not been prepared according to the bye - laws enacted.

#### **(b) Non achievement of the expected output level**

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A sum of Rs.30,130,327 had been spent by 31 December 2017 to fill the ground with soil and level it in order to construct the Deniyaya New Fair under the Palath Neguma Programme. The building estimated at a value of Rs.28,296,801 could not be constructed within 3 years. As such, the expenditure incurred had become fruitless. Meanwhile, a sum of Rs.Rs.360,000 had been paid to conduct the fair at another place during those 3 years.

#### **(c) Solid Waste Material Management**

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The following matters were observed.

(i) The Sabha had utilized 338,162 kilograms of solid waste material out of the collection of 1,825,000 kilograms during the year under review to manufacture fertilizer. The rest had been disposed of, in the environment in an irregular manner.

(ii) The Sabha had manufactured 9488 kilograms of fertilizer by incurring an expenditure of Rs.3,632,870 during the year with regard to garbage management. The earnings from sale of fertilizer amounted to Rs.105,996.

#### **(d) Environmental Problems**

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The Sabha had been deprived of a revenue of Rs.416,000 as 104 business establishments which should have obtained environmental licences had not obtained them in terms of the Gazette Notification No.1533/16 of 25 January 2008. Attention had not been drawn regarding the damage caused to the environment and the public.

(e) **Sustainable Development Target**  
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The Sabha had not prepared the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

**3.2 Human Resources Management**  
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**Vacancies and Excesses in the Cadre**  
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- (i) Proper action had not been taken regarding 03 vacancies and 21 excesses in the approved cadre of secondary and primary levels.
- (ii) The Sabha had spent Rs.1,777,172 from its fund during the year under review to pay the salaries and allowances of employees who had been recruited in excess of the cadre.

**3.3 Assets Management**  
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**3.3.1 Ownership of Assets not confirmed**  
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The ownership of 11 land, that is five land valued at Rs.13,681,188 included in the accounts and 06 land , the value of which had not been mentioned, had not been confirmed.

**3.3.2 Idle / Under utilized Assets**  
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Two buildings valued at Rs.8,300,000 and 02 community centres, the value of which had not been mentioned, remained unused for any purpose from previous years.

**3.3.3 Annual Verification of Stocks**  
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The survey of land and buildings to be carried out annually in terms of Pradeshiya Sabha (Finance and Administration) Rules 217 and 218 had not been carried out after 2015.

**3.4 Irregular Transactions**  
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Stamp fees of Rs.28,880,175 was due to the Sabha from the Land Registry during the year 2012. In this correction, incentive payments amounting to Rs.846,405 had been paid to 09 officers to obtain the revenue.

**3.5 Contract Administration**  
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Two contracts had been awarded without following procurement procedures to an identical contractor for Rs.1,889,671 and Rs.1,890,394 to build the access road at Sathmahal Ella by



utilizing the provision made by the Ruhunu Tourism Bureau. Approval had been granted to pay Rs.3,761,142 for 02 work. However, it was observed at a verification that 70 per cent of the block stones used for inter connection were not up to the required standard.

#### **4. Accountability and Good Governance**

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##### **4.1 Budgetary Control**

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It was observed that the budget had not been used as an efficient instrument of management control as there were significant variations between the budgeted and actual revenue and expenditure of the year under review as detailed below.

- (a) There were savings in 08 Objects totalling Rs.13,888,451 ranging from 11 per cent to 76 per cent.
- (b) The total of adverse variances of 04 items of revenue amounting to Rs.9,107,922 ranged from 7 per cent to 41 per cent.
- (c) The total of favourable variances of 03 items of accounts amounting to Rs.3,725,675 ranged from 18 per cent to 80 per cent.

#### **5. Systems and Controls**

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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 control.

- (a) Fixed assets
- (b) Revenue administration
- (c) Budgetary control
- (d) Accounting