

**Pasgoda Pradeshiya Sabha**

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**Matara District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of 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 Pasgoda Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) Constructions valued at Rs.2,046,286 completed under various provisions during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future,
(ii) Computers and accessories valued at Rs.102,290 received as donation during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(iii) Office equipment valued at Rs.103,293 purchased during the year under review had not been capitalized.	All fixed assets should be brought to account.	Action will be taken to rectify in future.

(iv) Provision for creditors amounting to Rs.155,000 had not been made even by end of the year under review for 05 work not commenced under the Provincial Council provision.	Should be correctly brought to account.	Lack of funds to complete the work.
(v) Reimbursement of salaries due for the year under review amounting to Rs.47,863 had been understated in the accounts.	Should be correctly brought to account.	Action will be taken to rectify in future.
(vi) Provision for expenditure payable amounting to Rs.1,315,017 had not been made for work completed under the funds of the Sabha as at end of the year under review.	Should be correctly brought to account.	Continued and payments made.
(vii) Debtors and creditors balances of 03 work had each been overstated by Rs.475,998 as at end of the year under review.	Should be correctly brought to account.	The amount entered in the accounts is the amount billed. The amount received during payments was less than that.

**(b) Unreconciled Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Differences aggregating Rs.404,178 were observed between the total of 03 accounts included in the financial statements amounting to Rs.3,461,121 and the balances appearing in the related subsidiary registers/schedules.	Difference in respective balances should be reconciled and rectified.	Arrears of stall rent had been included with penalties in the schedule.

(c) **Lack of Necessary Documentary Evidence for Audit**

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Five items of accounts aggregating Rs.1,699,315 could not be satisfactorily vouched in audit due to non rendition of necessary information.	----- Evidence to confirm balances of accounts shown in the financial statements should be furnished.	----- Action will be taken to rectify in future.

**1.4 Non compliance**

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**1.4.1 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.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- (a) 1988 Pradeshiya Sabha (Finance and Administration) Rules -----	-----	-----	-----
(i) Rule 178(7)	A tender box had not been used to insert tenders received by the Sabha. The person opening the tender had not initialled and dated each page of the tender.	Action should be taken according to the rule.	Action will be taken to rectify in future.
(ii) Rule 218	Land and buildings had not been surveyed after 2014.	Action should be taken according to the rule.	Initial work had been commenced.
(b) Financial Regulations 103 of the Democratic Socialist	Action had not been taken regarding	Action should be take according to the	Requested to take action in

Republic of Sri Lanka	library books valued at Rs.255,558 which had not been produced for board of survey during the previous year.	financial regulations	terms of the circular No. 2004/අස/1 (amended 2016) of 22 December 2016.
(c) Gazette Notification No.1533/16 of 25 January 2008	Twenty eight business establishments had carried out businesses without environmental licences.	Action should be taken in terms of the gazette notification.	Action had already been taken regarding issue of licences.
(d) Paragraph 05 of the Circular No. අපසා/ පසාකො/2010/1 of 27 December 2010 of the Commissioner of Local Government, Southern Province.	Agreements of 30 stalls had not been updated every 03 years.	Action should be taken according to the circular.	Agreements of stall holders from whom arrears had been recovered will be renewed. Action will be taken to acquire stalls of those who have not paid the arrears.

## 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 of the year under review amounted to Rs.15,677,599 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.14,039,152.

## 2.2 Revenue Administration

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

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	2018				2017			
	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	1,712,000	1,673,275	1,674,580	96,092	1,460,000	1,414,010	1,409,801	97,397
Rent	9,051,000	8,206,041	9,473,731	3,297,581	7,571,240	7,717,160	6,500,988	4,565,271
Licence Fees	584,650	755,167	755,167	-	661,200	328,892	328,892	-
Other Revenue	11,038,000	13,492,590	12,765,789	16,891,243	7,921,200	11,569,091	8,648,920	16,164,442
Total	22,385,650	24,127,073	24,669,267	20,284,916	17,613,640	21,029,153	16,888,601	20,827,110

## 2.2.2 Performance in collection of Revenue

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p>The estimated revenue of the year under review amounted to Rs.22,385,650. The arrears at the commencement of the year under review amounting Rs.20,827,110 and the billings of Rs.24,127,073 had ended in a recoverable of Rs.44,954,183. The total recoveries during the year amounted to Rs.24,669,267 resulting in arrears of Rs.20,284,916 due as at 31 December of the year under review.</p>	<p>-----</p> <p>Action should be taken to intensify recovery of arrears of revenue.</p>	<p>-----</p> <p>The amount receivable from the stamp fees billed under the Provincial Council was at a lower level of 10 per cent which had attributed to 55 per cent of recovery of arrears.</p>

## 2.2.3 Rates and Taxes

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>-----</p> <p><b>Acreage Tax</b></p> <p>-----</p> <p>The arrears of balances of acreage tax at the commencement amounted to Rs.97,397 and the billings of the year amounted to Rs.25,154. The total recoveries during the year under review amounting to Rs.26,459 had resulted in an arrears of Rs.96,092 at end of the year. The percentage of recovery was 22.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Action had been initiated to obtain approval from the Minister to write off the amount due from land from which recoveries cannot be made, after preparation of a survey report.</p>

#### 2.2.4 Rent

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>(a) Stall Rent</b> -----		
The arrears at the commencement of Rs.2,539,221 added to the billings of the year amounting to Rs.1,776,867 had ended in recoverables of Rs.4,316,088. The total recoveries during the year amounted to Rs.1,003,943. As such, the balance of arrears as at end of the year amounted to Rs.3,312,145. The percentage of recovery was 23.	Recovery of arrears of revenue should be intensified.	Legal action had been initiated in this regard.
<b>(b) Fair Tax</b> -----		
The arrears at the commencement amounted to Rs.321,348 and the billings of the year amounted to Rs.5,939,766. The total recoveries amounted to Rs.6,049,626 and as such the balances of arrears as at end of the year under review amounted to Rs.211,488.	Recovery of arrears of revenue should be intensified.	Legal action had been initiated in this regard.

#### 2.2.5 Licence Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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<b>Revenue from Notice Boards</b> -----		
Fees amounting to Rs.79,953 had not been recovered on behalf of 30 notice boards exhibited in the area during the year under review.	Recovery of arrears of revenue should be intensified.	Already notified to obtain licences for 2019

## 2.2.6 Other Revenue

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b>Court Fines and Stamp Fees</b>		
Court fines of Rs.572,008 and stamp fees of Rs.15,521,989 were due from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.	Recovery of arrears of revenue should be intensified.	Court fines of Rs.279,916 had been received by end of 2018. Stamp fees of Rs.3,720,083 had already been received.

## 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.,

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<b>(a) Non-achievement of the Expected benefits</b>		
The Tata super truck purchased for Rs.2,175,000 during the previous year to commence a mobile library had not been utilized for the said purpose even by end of the year under review.	The expected objective of the task should be fulfilled.	Provision could not be made to arrange the truck for suitable usage as a library. Action will be taken to achieve the target in 2020.

### **(b) Sustainable Development Targets**

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The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.	Indicators to measure sustainable development objectives and targets should be identified and the annual progress achieved should be measured accordingly.	Necessary action is being taken in terms of the 2030 Agenda for sustainable development.
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### 3.2 Human Resources Management

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Audit Observation	Recommendation	Comments of the Accounting Officer
<b>Vacancies and Excesses in the Cadre</b> Action had not been taken even by end of the year under review to fill 14 vacancies and 03 excesses in the cadre.	Vacancies should be filled and excesses should be regularized with regard to the cadre.	The post of Community Development Officer is included in the approved cadre of the Department of Local Government. Information relating to the staff had been forwarded to the Assistant Commissioner of Local Government, Chief Secretary and the Secretary to the Ministry in order to fill the remaining vacancies. Recruitments had been made with the approval of the Governor to fill 09 vacancies in the primary posts pointed out.

### 3.3 Procurement

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#### 3.3.1 Procurement Plan

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Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Expenditure of Rs.2,954,582 had been incurred on purchases during the year under review deviating from the procurement plan.	Annual procurement plan should be prepared.	Necessary action will be taken in future to prepare a procurement plan.
(b) A vaccum cleaner machine had been purchased during the year under review for the highest quotation of Rs.18,905 without	Decision of the tender board should be referred to the technical evaluation committee.	Decision of the Tender Board will be referred to the Technical Evaluation Committee and the

referring the matter to the Technical Evaluation Committee instead of purchasing it from the institution which quoted the lowest price of Rs.7,780.

recommendations obtained will again be referred to the tender board for approval.

#### 4. Accountability and Good Governance

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##### 4.1 Budgetary Control

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Savings in 08 objects amounting to Rs.14,193,947, ranged from 5 to 79 per cent.	Feasible annual estimates should be prepared.	Decrease in expenditure on maintenance of / and repairs to vehicles had attributed to savings in the Object for repairs and maintenance of capital assets
(b) The targets not achieved in 04 items of revenue aggregated Rs.5,822,532, ranging from 2 to 38 per cent.	Feasible annual estimates should be prepared.	Receipt of arrears of stamp fees of Rs.2,845,471 of the previous year had attributed to the favourable variances in the items of other revenue.

##### 4.2 Internal Audit

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Audit Observation	Recommendation	Comments of the Accounting Officer
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The Auditor General's concurrence had not been obtained in terms of Financial Regulation of the Democratic Socialist Republic of Sri Lanka for preparation of Internal Audit Programme and copies of Internal Audit Reports had not been furnished to the Auditor General.	Action should be taken in terms of the Financial Regulation.	Action will be taken to rectify In future.