

**Kotapola Pradeshiya Sabha**

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

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented for audit on 27 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**

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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 Kotapola 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>
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(i) Machinery valued at Rs.236,500 had not been capitalized under Machines and Machinery during the year under review.	All fixed assets should be brought to account.	Action will be taken to rectify in future.
(ii) Expenditure of Rs.1,239,513 incurred on improvements to land and buildings during the year	All fixed assets should be brought to account.	Action will be taken to rectify in future.

under review had not been capitalized.

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| (iii) | The expenditure of Rs.108,500 incurred on work completed on direct labour basis during the year under review had been overstated under capital expenditure.                           | Should be correctly brought to account.                  | Action will be taken to rectify in future. |
| (iv)  | Revenue from interest on fixed deposits of Rs.293,835 receivable as at end of the year under review had not been brought to account.  | Revenue should be correctly brought to account.          | Action will be taken to rectify in future. |
| (v)   | The installment of Rs.230,347 paid to the Local Loans and Development Fund for the loan obtained had been debited to the Income and Expenditure account during the year under review. | Loan instalments should be correctly brought to account. | Action will be taken to rectify in future. |
| (vi)  | Stamp fees receivable as at end of the year under review had been understated in the accounts by Rs.1,308,444.  | Should be correctly brought to account.                  | Action will be taken to rectify in future. |

**(b) Unreconciled Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Differences between the balances of 06 accounts as appearing in the financial statements and the	Action should be taken to reconcile the balances concerned and to rectify	Action will be taken to rectify these difference existing for a long time.

related subsidiary registers/  
schedules aggregated  
Rs.84,029,280. accounts.

**(c) Suspense Account**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Action had not been taken even during the year under review to identify the balance of Rs.255,674 in the Suspense Account which continues to be brought forward in the financial statements so as to make necessary adjustments to settle it.	This should be found out and the Suspense Account should be settled by making necessary adjustments in the accounts.	Action will be taken to rectify these difference existing for a long time.

**(d) 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> -----
Seven items of accounts aggregating Rs.86,517,132 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm the balances of accounts 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>
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1988 Pradeshiya Saba(Finance and Administration) Rules -----			
(i) Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken in terms of the rules.	Action will be taken in future to furnish a statement showing cause of surpluses and deficits.
(ii) Rule 33	A list of defaulters of rates and taxes and distraining orders had not been prepared.	Action should be taken in terms of the rules.	Action will be taken to rectify in future.
(iii) Rule 218	A survey of all land and buildings of the Sabha had not been carried out.	Action should be taken in terms of the rules.	Action will be taken to rectify in future.

## **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 amounted to Rs.10,570,380 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.15,701,806.

## 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	6,192,000	3,133,963	3,059,826	949,081	1,477,000	1,373,838	1,362,574	874,944
Rent	4,189,500	6,164,927	4,159,542	2,162,195	6,998,000	5,007,233	5,306,819	156,810
Licence Fees	1,003,000	913,956	913,956	-	928,000	1,666,499	1,666,499	-
Other Revenue	21,877,000	21,285,087	27,986,847	17,902,422	19,014,200	20,743,816	14,314,710	24,604,182
<b>Total</b>	<b>33,261,500</b>	<b>31,497,933</b>	<b>36,120,171</b>	<b>21,013,698</b>	<b>28,417,200</b>	<b>28,791,386</b>	<b>22,650,602</b>	<b>25,635,936</b>

### 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>
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<p>The estimated revenue of the year under review amounted Rs.33,261,500. The arrears at the commencement of the year under review amounting to Rs.25,635,936 and the billings of Rs.31,497,933 had resulted in receivables of Rs.57,133,869. The total recoveries during the year amounted to 36,120,171 only. As such, the arrears receivable as at end of 31 December of the year under review amounted to Rs.21,013,698. The percentage of recovery was 63.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Action will be taken to recover revenue in future.</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>
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<p><b>(a) Rates</b></p> <p>-----</p> <p>The arrears at the commencement amounting to Rs.161,909 added to the billings of the year amounting to Rs.155,560 had resulted in receivables of Rs.317,469. The total recoveries amounting to Rs.142,765 had resulted in an arrears of balance of Rs.174,704 as at end of the year.</p>	<p>Recovery of arrears of revenue should be intensified.</p>	<p>Action will be taken to recover revenue in future.</p>
<p><b>(b) Acreage Tax</b></p> <p>-----</p> <p>The arrears at the commencement amounting to Rs.209,615 added to the billings of the year amounting to Rs.48,582 had resulted in</p>	<p>Recovery of arrears of revenue should be</p>	<p>Action will be taken to recover revenue in future.</p>

receivables of Rs.258,197. The total recoveries during the year amounting to Rs.44,587 had resulted in an arrears of Rs.213,610 as at end of the year. The low percentage of recovery was 17.

intensified.

#### 2.2.4 Rent

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##### Audit Observation

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##### Recommendation

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##### Comments of the Accounting Officer

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#### Lease rent of Fish Sales Centre at the Fair

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The arrears at the commencement amounting Rs.108,435 and the year's billings of Rs.4,338,253 had resulted in receivables amounting to Rs.4,446, 688. The total recoveries amounted to Rs.2,557,713 causing an arrears of Rs.1,888,975.

Recovery of arrears of rent should be intensified.

Primary action had been taken to file cases for recovery of arrears.

#### 2.2.5 Other Revenue

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##### (a) Water Charges

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##### Audit Observation

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##### Recommendation

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##### Comments of the Accounting Officer

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The arrears at the commencement of Rs.2,046,149 added to the billings of the year amounting to Rs.3,794,433 had resulted in receivables amounting to Rs.5,840,582. The total recoveries amounted to Rs.3,646,942 resulting in an arrears of balances of Rs.2,193,640 as at end of the year.

Recovery of arrears of fees should be intensified.

Action will be taken to recover in future.

##### (b) Court Fines and Stamp Fees

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Court fines of Rs.400,208 and stamp fees of Rs.15,308,574 were due from the Chief

Recovery of arrears of fees

Action will be taken to recover in future.

Secretary of the Provincial Council and other authorities as at end of the under review. should be intensified.

### 3. Operating Review

#### 3.1 Performance

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.,

##### **Solid Waste Material Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Sabha had collected 1,300,000 kilogrammes of solid waste material during the year. Of these, degradable waste of 520,000 kilogrammes had been utilized for producing fertilizer. The balance had been irregularly disposed of.	Non degradable garbage should be recycled.	The Sabha is not in possession of a polythene compact machine.

#### 3.2 Human Resources Management

##### (a) Vacancies and Excesses in the Cadre

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Action had not been taken even by end of the year under review to fill 10 vacancies in the approved cadre and to regularize 03 excesses.	Vacancies in the cadre should be filled and excesses should be regularized.	Action will be taken to fill vacancies in future.



**(b) Employees' Loans**  
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According to the register of employees' loans, 10 employees had defaulted payments of instalments. Action had not been taken to recover Rs.33,770 due from them even as at end of the year under review

Arrears should be recovered.

Action will be taken to recover the amount in future.

**3.3 Operating Inefficiencies**  
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**Audit Observation**  
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**Recommendation**  
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**Comments of the Accounting Officer**  
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(a) Assessment of properties had not been done after 2005. As such, rates could not be recovered for new constructions as well according to the new assessment rates for 13 years commencing 2005 to the year under review.

Action should be taken according to the provisions in the Act.

Activities relating to new assessments has reached the final stage. As such, fees will be recovered soon at the new assessment rates.

(b) Repairs to a cab of the Sabha had been entrusted to a private institution on 16 July 2018 and it had been stated in the agreement that the repairs should be done and the cab handed over before 15 October of the year under review. But, the repairs had not been done and the cab handed over even by 08 March 2019.

The task concerned should be done according to the agreement.

Action will be taken to obtain it soon.

(c) Approval had been granted to employ 06 field workers on daily basis only when the

Action should be taken according the letter.

Apart from instances where field workers goes on leave services had

permanent workers go on leave or during an emergency situation, as per letter of the Commissioner of Labour No.01/06/06/02 dated 23 August 2017. However, contravening this, 06 field workers had been employed for 1344 ½ days and Rs.1,369,265 had been paid from the funds of the Sabha.

been obtained during instances where sanitary labourers had gone on leave.

(d) The Sabha had laid block stones on 07 roads under various funds. In this connection, the Sabha had overpaid Rs.196,086 for 956.52 square metres at the rate of Rs.205 per square metre, in excess of the rate approved by the Southern Province Road Development Authority.

Action should be taken according to the letter.

Action will be taken to deduct overpayment from retentions.

(e) A survey of notice board exhibited had not been carried out in terms of the gazette notification No.2048 of 30 November 2017. A field inspection carried out on 07 March 2019 revealed that fees amounting to Rs.112,600 had not been recovered on behalf of 52 notice boards exhibited.

Action should be taken according to the Gazette notification.

Necessary action is being taken to recover this amount.

### 3.4 Procurement

#### 3.4.1 Procurement Plan

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
A procurement plan for the year under review had not been prepared. An expenditure of Rs.7,349,182 had been incurred on purchases during the year.	Annual procurement plan should be prepared.	Procurement plan will be prepared in future.

#### 3.5 Weaknesses in Contract Administration

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Plan to implement 54 proposed work worth Rs.27,000,000 under the funds of the Sabha and various provisions had been made under the budget for the year under review, However, 43 of these valued at Rs.21,500,000 had not been implemented by end of 2018.	Plans should be prepared in order to implement according to the budget.	Forty out of 43 work continues.

### 4. Accountability and Good Governance

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Savings in 06 objects aggregated Rs.9,663,963, ranging from 04 to 86 per cent.	Feasible estimates should be prepared.	Action is being taken to revise the budget.
(b) The targets not achieved in 03 items of revenue aggregated to Rs.10,308,195 ranging from 08 to 49 per cent.	Feasible estimates should be prepared.	Action is being taken to revise the budget.