

Kamburupitiya Pradeshiya Sabha

Matara District

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 27 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 Kamburupitiya 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

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The construction work expenditure of Rs.1,381,095 paid during the year under review on behalf of the previous year had been brought to account as capital expenditure of the year under review.	Expenditure should be correctly brought to account	Action will be taken to rectify.
(ii) Provision for creditors had not been made for expenditure on work of Rs.449,625 during the previous year. The payment had been made under creditors during the year under review.	Creditors should be correctly brought to account.	Action will be taken to rectify.
(iii) Capital expenditure of Rs.10,108,692 had been	Capital expenditure should be correctly brought to	Action will be taken to rectify.

	incurred on 15 projects implemented under various development programmes during the year under review. Instead of accounting this as capital expenditure payments had been made from creditors.	account.	
(iv)	Provision had not been made for the electricity charges of Rs.97,108 payable on behalf of the Ambalama of the Sabha for the period 2012 to 2015.	Provision should be correctly made for expenditure payable.	Action will be taken to rectify.
(v)	The sum of Rs.948,988 receivable as aid by the Sabha as at end of the year under review had not been accounted as revenue receivable.	Revenue receivable should be correctly brought to account.	Action will be taken to rectify.
(vi)	Audit fees of Rs.124,200 had been paid during the year under review on behalf of the previous year. This had been brought to account as expenditure of the year under review. Provision had not been made for the audit fees payable for the year under review.	Expenditure payable should be correctly brought to account.	Action will be taken to rectify.
(vii)	Equipment purchased for Rs.182,290 during the year under review had not been capitalized.	Fixed assets should be correctly brought to account.	Action will be taken to rectify.
(viii)	The generator valued at Rs.1,345,500 purchased during 2019 had been capitalized under fixed assets during the year under review.	Fixed assets should be correctly brought to account.	Had been purchased during the year under review.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Differences aggregating Rs.74,340,617 existed between the balances of 10 accounts aggregating Rs.141,617,063 as per financial statements and the related subsidiary registers/schedules.	Difference of balances concerned should be reconciled for rectification.	Action will be taken to rectify

(c) Suspense Account

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Action had not been taken to identify and settle the credit balances of Rs.1,168,845 in the Suspense Account which continues to be brought forward in the financial statements from previous years.	Action should be taken to make necessary adjustments and to settle.	Information not available for rectification.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Thirteen items of accounts aggregating Rs.192,990,711 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 is being taken to avoid weaknesses in the registers.

1.4 Non compliance

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Saba (Finance and Administration) 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 accordance with the rules	Supplementary budget had not been prepared.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i) Financial Regulation 571	Action had not been taken to settle deposits over 02 years valued at Rs.2,141,971.	Action should be taken according to the regulation	Reminders are being sent to the respective persons for settlement of deposits over 02 years.
(ii) Financial Regulation 1646	Daily running charts of 04 out of 09 vehicles of the Sabha for the year 2018 had not been furnished for audit even by 28 February 2019	Action should be taken according to the regulation.	Action will be taken to correctly furnish during 2019.
(c) Circular of the Secretary to the Ministry of Power and Energy No.PE/01/801 of 17 August 2010.	Expenditure incurred from the funds of the Sabha amounting to Rs.1,562,171 could not be reimbursed as	Action should be taken according to the circular.	The Electricity Board had been requested to reimburse money for approved

street lamps had not been installed according to the cicular. lamps.

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.13,301,021 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.13,329,118.

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	2,279,258	2,626,520	2,419,218	1,526,942	1,500,753	1,989,885	1,818,934	1,319,640
Rent	7,334,109	6,726,806	7,373,009	1,007,498	6,804,527	6,768,502	6,159,783	1,653,701
Licence Fees	982,450	1,679,271	1,664,671	100,395	857,000	1,413,330	1,406,630	85,795
Other Revenue	6,730,000	26,713,512	11,857,099	69,857,079	20,298,692	22,645,674	14,114,191	55,018,666
Total	17,325,817	37,746,109	23,313,997	72,509,914	29,460,972	32,817,391	23,499,538	58,077,802

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The estimated revenue of the year under review amounted to Rs.17,325,817. A sum of Rs.95,823,911 had become receivable due to the arrears at the commencement of the year under review amounting to Rs.58,077,802 being added to the billings of Rs.37,746,109. The total recoveries during the year amounted to Rs.23,313,997. As such, the arrears recoverable as at 31 December of the year under review amounted to Rs.72,509,914. The performance in recovery of revenue was 24 per cent.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Action is being taken to recover arrears of revenue and rectify records. Recovery of certain revenue are being made in instalments based on court orders.</p>

2.2.3 Rates and Taxes

(a) Rates

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The arrears of balances of rates and taxes at commencement of the year under review amounted to Rs.999,597. Billings of the year amounting to Rs.1,328,445 and surcharges had resulted in recoverables amounting to Rs.2,328,042. The total recoveries during the year amounted to Rs.1,128,447 and as such the arrears of balances as at end of the year amounted to Rs.1,199,595. Recoveries from the arrears at the commencement and the year's billings was at a low level of 48 per cent.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Action is being taken to issue distraining orders to recover arrears of rates and to recover the balance of arrears.</p>

(b) Acreage Tax

Audit Observation

The acreage tax balance at the commencement amounted to Rs.320,043 and the billings of the year amounted to Rs.24,407. The total recoveries during the year under review amounted to Rs.17,103. As such, the arrears as at end of the year amounted to Rs.327,347. The recoveries of the year under review was at a low level of 5 per cent of the arrears at the commencement and the billings of the year.

Recommendation

Recovery of arrears of revenue should be intensified.

**Comments of the
Accounting Officer**

Reminders had been sent to specifically identified acreage tax payers owing arrears.

2.2.4 Rent

(a) Stall Rent

Audit Observation

A sum of Rs.8,493,573 was recoverable made up of arrears at the commencement amounting to Rs.1,653,701 and billings and surcharges of the year amounting to Rs.6,839,872. The total recoveries during the year amounting to Rs.7,486,076 had resulted in a balance of arrears of Rs.1,007,497 as at end of the year.

Recommendation

Recovery of arrears of rent should be intensified.

**Comments of the
Accounting Officer**

Legal action is being taken to recover arrears of balances. Recoveries are being made in instalments for a long time from lessees according to the verdict of the court.

(b) Licence Fees

Audit Observation

A sum of Rs.1,186,185 was recoverable, made up of the arrears of Rs.85,795 at the commencement and billings of the year and surcharges amounting to Rs.1,100,390 The total recoveries of Rs.1,085,790 resulted in the balance of Rs.100,395 as at end of the year. Recoveries from the arrears of balances at the commencement and the year's billings was 91 per cent.

Recommendation

Recovery of arrears of licence fees should be intensified.

Comments of the Accounting Officer

Action is being taken either to settle or to write off the arrears of balances.

2.2.5 Other Revenue

Court Fines and Stamp Fees

Audit Observation

Court fines of Rs.1,412,877 and stamp fees of Rs.31,669,220 were receivable from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review.

Recommendation

Recovery of arrears of court fines and stamp fees should be intensified.

Comments of the Accounting Officer

Requests had been made from the institutions concerned to obtain the arrears.

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.,

Audit Observation	Recommendation	Comments of the Accounting Officer

(a) Bye-Laws		

Bye-laws had been enacted regarding Solid Waste Material Management in terms of the Gazette Extra Ordinary Notification No.1834 of 25 October 2013. However, action had not been taken accordingly.	Action should be taken according to the bye-laws.	Many practical problems had been faced during implementation.

(b) Solid Waste Material Management

Audit Observation	Recommendation	Comments of the Accounting Officer

An expenditure of Rs.4,643,250 had been incurred on disposal of daily collection of garbage during the year under review. Disposal of garbage takes place in a land behind the Kamburupitiya fair premises. As a result, bad smell spreads in the surrounding area and the environment gets polluted resulting in spread of many diseases.	Disposal of garbage should be properly done.	Action will be taken to regularize disposal of garbage after obtaining a suitable land. Short term solutions will be made to avoid problems caused by disposal of garbage. Initial action had been taken to purchase a garbage incinerator, as a long term measure.

(c) Sustainable Development Targetss

Audit Observation	Recommendation	Comments of the Accounting Officer

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.	Action should be taken to according to the 2030 Agenda.	No officer is aware of future activities.

3.2 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken even by end of the year under review to fill 09 vacancies in the cadre and to regularize 04 excesses.	Vacancies in posts and excesses in the cadre should be regularized.	Action will be taken to regularize.
(b) Action had not been taken even by end of the year under review to recover arrears of balances of loan amounting to Rs.62,126 from defaulting employees.	Recovery of balances of employees' loans should be intensified.	Divisional Secretaries will be made aware of, to recover employees' loans from their pensions wherever possible.

3.3 Assets Management

Audit Observation	Recommendation	Comments of the Accounting Officer
A cab a hand tractor, 02 trailers and a bicycle had been removed from usage. Action had not been taken for their disposal as at end of the year under review in terms of Assets Management Circular No.1/2018 of 19 March 2018.	Disposal of assets should be done according to the circular.	Upon receipt of recommendations, action will be taken for disposed of assets.

3.4 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A sum of Rs.826,741 had been spent to lay block stones on the Bibulewela road under the Southern Development Programme during the year under review. But, pre-feasibility studies had not been made before the work. As such, this road continued to be used by an individual user alone.	Pre-feasibility study should be made before constructions.	Due to lack of adequate space, the road had to be renovated by spreading block stones upto end of the road.

<p>(b) A sum of Rs.1,530,000 had been spent to prepare sign boards on the roads within the area of the Sabha during the previous year under the Programme for Strengthening of Pradeshiya Sabhas. However, test checks revealed that digging of holes for name boards, the height of the poles holding the sign boards and the square feet measurement of the sign boards carried out were less than those stated in the work completion report.</p>	<p>Payments should be made for portion of work done.</p>	<p>Noted to rectify shortcomings in specifications of name boards.</p>
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4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Savings in 07 objects amounting to Rs.11,196,010, ranged from 15 to 57 per cent.</p>	<p>Feasible estimates should be prepared</p>	<p>Action will be taken in future to maintain low level of variances between the budgeted and the actual revenue and expenditure.</p>

4.2 Implementation of Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Although Audit and Management Committees had been established in terms of the Management Audit Circular No.DMA/2009(i) of 09 June 2009, meetings had not been held during the year under review.</p>	<p>Action should be taken in terms of the circular.</p>	<p>Action will be taken to hold Audit and Management Committee meetings in 2019.</p>