

**Karadeniya Pradeshiya Sabha
Galle 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 30 May 2019 and 13 June 2019 respectively.

1.2 Qualified Opinion

In my opinion except for the effect of matters described in the basis for qualified opinion of this report, the financial statements give a true and fair view of the financial position of the Karadeniya 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
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(i)	No-pay leave of Rs.212,912 applicable to the previous year had been added to salaries and wage accounts of the year under review.	Should be accurately accounted	Action will be taken to rectify when preparing accounts for the year 2019.
(ii)	When releasing key money of Rs.250,000 received for the year under review, key money in arrears had been brought to Account instead of bringing the key money to Accounts.	Should be brought to accounts accurately.	Action will be taken to rectify when preparing accounts in 2019..
(iii)	Contributions of Rs.12,351,877 payable to Local Government Pension Fund as at 31 st December of the year under review had	Dues payable should be brought to accounts.	Action will be taken to rectify when preparing accounts for 2019.

not been brought to Account.

- (iv) Drugs received as donations from Ayurvedic Corporation during the year under review, total value of which being Rs.157,572 had not been brought to accounts.

Donations should be brought to account.

Action will be taken to rectify while preparing accounts for 2019.

(b) Unreconciled Accounts

Audit Observation

Recommendations

Comments of the Accounting Officer

Balances of 02 items of accounts shown in financial statements as at 31 December of the year under review and the balances in related subsidiary registers / schedules differed by Rs.290,254.

Action should be taken to reconcile difference between relevant balances and rectify the same.

These being differences brought forwarded over a long period, action will be taken to rectify the same.

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

Eight Items of Accounts aggregating Rs.228,909,037 could not be satisfactory vouched in audit due to non furnishing of necessary information.

Evidence to confirm the balances shown in the financial statement should be furnished.

Action will be taken to rectify in future.

(d) Unauthorized Transactions

Audit Observation

Recommendation

Comments of the Accounting Officer

Stall rent have been revised since 2015 on a decision of the Sabha and Rs.790,000

Authoritative power shall be obtained for amendments.

Action will be taken to rectify in future.

had been deleted from documents.

1.4 Non Compliance

Non Compliance with Laws, Rules, Regulations and Management Decisions

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non Compliance	Recommendation	Comments of the Accounting officer
	Rs.			
(a) Section 134(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987.	-	Developed areas within area of authority had not been identified as new zones of assessment.	Zones of assessment shall be declared and action shall be taken to collect rates, taxes to augment the Sabha fund.	Rates and taxes will be recovered in future.
(b) FR 571 of the Democratic Socialist Republic of Sri Lanka	14,668,432	Action had not been taken as per regulations referred to in respect of deposit balances exceeding 02 years.	Action should be taken in terms of financial regulations.	Action will be taken to rectify in future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.17,479,978 as compared with the excess of recurrent expenditure over revenue of the preceding year amounted to Rs.20,201,662.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Revenue in arrears

Given below are information on estimated revenue, revenue billed, revenue collected, revenue billed, revenue collected and revenue in arrears presented in respect of the year under review and the preceding year.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	4,424,801	1,814,748	1,718,542	4,486,259	2,778,641	1,847,690	1,597,267	4,424,801
Lease Rent	7,608,495	5,809,826	4,639,494	8,774,252	8,145,400	7,378,600	6,447,742	7,608,495
Licence fee	123,350	154,250	154,250	123,350	300,000	235,986	235,986	123,350
Other Revenue	47,187,762	20,222,433	8,153,500	60,526,102	6,414,000	20,888,419	5,607,500	47,187,762
	59,344,408	28,001,257	14,665,786	73,909,963	17,638,041	30,350,695	13,888,495	59,344,408

2.2.2 Performance in Collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the total revenue recoverable for the year under review had been Rs.87,345,666 recovered revenue of the year amounted to Rs.14,665,786 or 17%.	revenue in arrears should be recovered.	Early action will be taken to recover revenue in arrears in future.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Within the rates & tax balance in arrears as at 31 December of the year under review, there were 34 lessees having rate balances in arrears over Rs.10,000 only within sub office and action had not been taken to recover rates in arrears	Early action should be taken to recover revenue in arrears.	Early action will be taken to recover revenue in arrears in the future.

in terms of section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

(b) Water Tax

There were taxes in arrears of the Urugashandiya water project.

Taxes in arrears should be recovered early.

Early action will be taken to recover revenue in arrears.

2.2.4 Rent

Audit Observation

Balance in arrears as at 31 December of the year under review amounted to Rs.8,774,252 and action had not been taken recover revenue in arrears as per Section 158(1)(b) of the Pradeshiya Sabha Act No.15 of 1987.

Recommendation

Revenue in arrears should be recovered urgently.

Comments of the Accounting Officer

Early action will be taken to recover revenue in arrears in future.

2.2.5 License Fees

Audit Observation

Legal action had not been taken to recover revenue in arrears in respect of license fee balance in arrears amounted to Rs.123,350 older more than two years.

Recommendation

Legal action should be taken against business enterprises not paying licence fees.

Comments of the Accounting Officer

Early action will be taken to recover revenue in arrears in future.

2.2.6 Other Revenue

Audit Observation

The other revenue in arrears at the end of the proceeding year amounted to Rs.47,187,762 and it had been increased upto Rs.60,526,102 at the end of the year

Recommendation

Revenue in arrears should be recovered early.

Comments of the Accounting Officer

Action will be taken to recover revenue in arrears in future.

under review or 28% increase in relation to the preceding year.

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 03 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**

Audit Observation

An annual Action Plan had not been prepared for all the tasks to be fulfilled by the Sabha according to the by-laws enacted.

Recommendation

An annual action plan should be prepared.

Comments of the Accounting Officer

Action will be taken to prepare an annual action plan in future.

(b) **Activities Abandoned**

Audit Observation

In 2006 a consignment of body building sports items with higher value was made available to the Sabha by the Ministry of Sports. Further more a body building centre at a cost of Rs.1,470,000 had been constructed in a Sabha owned building in 2011 utilizing provisions of the Ministry. At the physical auditing and according to information furnished by the Sabha, those equipment had not been utilized after all and no any information available in this regard.

Recommendation

Equipment should be registered and utilized in a productive manner to achieve desired objectives of the project.

Comments of the Accounting Officer

Action will be taken to register equipment and render valuable service to the people.

(c) **Solid Waste Material Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
Although it had been mentioned that waste materials of 25 tons to be collected daily from selected areas are dumped onto a private land of Punchi Borakanda without separation and covered with soil, at the physical audit it was observed that waste were spreaded all over in the absence of soil cover.	A formal and long term plan should be formulated for waste disposal.	A formal arrangement will be made in future for disposal of waste by obtaining a suitable land.

(d) **Sustainable Development Targets**

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabaha had not prepared long-term plans for enhancing living standard and public health within the authorized area through global indicators for sustainable development objectives and targets in the Agenda 2030 for sustainable development.	A long-term plan for sustainable development should be formulated to enhance living standard of the people	A suitable plan will be formulated in future to enhance the living standard of the people in the authorized area.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The only main pre school owned by the Sabha had been closed down since 2015.	Pre school should be maintained in a productive manner.	Action will be taken in future to open the pre school and operate in a productive manner
(b) Value added tax amounting to Rs.11,423,377 recovered since October 2013 had not been remitted to	The relevant tax income should be remitted to the	Presently action is being taken to remit.

the Department of Inland Revenue.

Department of
Inland Revenue.

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|-----|--|--|---|
| (c) | Key money of Rs.250,000 received during the year under review had been brought to revenue of the year. At the release of the same, payment had been made from the Sabha fund without re tender calling in contrary to the Circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 of the Local Government Commissioner. | Action should be taken in terms of the Circular. | Action will be taken in future for retendering. |
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3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Vacancies and Excesses in the cadre		

(i) Action had not been taken to regularize the excess posts and to make formal recruitment to 10 vacancies in the primary division.	Action should be taken to make formal recruitments and regularize excess positions.	R Action will be taken to make recruitments to fill vacancies and regularize excess posts.
(ii) A sum of Rs.1,508,581 had been paid from the Sabha fund as salaries and wages during the year under review to 09 employees recruited on casual and substitute basis.	Casual and substitute posts should be formalized.	Action will be taken in future to make formal recruitments.
(b) Staff Loan		

Audit Observation	Recommendation	Comments of the Accounting Officer
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Action had not been taken to recover loan balances of	Staff Loan balances in arrears should be	Action will be taken to recover loan balances in

Rs.687,410 recoverable from 48 employees.

recovered.

arrears.

3.4 Assets Management

3.4.1 Under Utilized Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

05 playing equipment sets at a cost of Rs.315,500 had been installed in pre school children's park in 2016. Due to closing down of this pre school, desks and chairs, playing equipment including the building remained idle.

Service should be provided to the people in the area.

Action will be taken to re open the pre school and render a service to the people in the area.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

(a) Saving of Rs.30,660,733 in respect of 07 items of expenditure were available, the value of which ranged between 21% to 47%

Actual Estimates should be prepared.

Action will be take in this regard in the coming year.

(b) The total value of unachieved targets of 04 items of revenue had been Rs.22,025,929, value of which ranged between 21% to 61%.

Actual estimates should be prepared

Acting will be taken in the regard in the next year.

4.2 Internal Auditing

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No sufficient internal auditing had been done as per provisions under FR 133 and 134 of the Republic of Sri Lanka and Local Government Commissioner's (Southern Province) Circular No.දපපා/යම/01/නා.ව.මළ dated 24 February 2014 and the Auditor General had not been consulted in the preparation of internal audit programme further, copies of internal Audit reports had not been forwarded for auditing.	Action should be taken in term of financial regulations and relevant Circulars.	Action will be taken to carry out and internal auditing in future and submit reports thereof.