

**Katuwana Pradeshiya Sabha**

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**Hambantota 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 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 31 May 2019 and 07 June 2019 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in the basis for qualified opinion section of this report, the financial statements of the Katuwana Pradeshiya Sabha give a true and fair view of the financial position 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 cost of compost sector constructed during the year under review had been capitalized more by Rs.35,584,995.	Fixed assets should be correctly brought to account.	Action will be taken to rectify in future.
(ii) The following fixed assets had not been capitalized.		
<b>Description</b>	<b>Value</b>	
<b>of Asset</b>		
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	Rs.	
Store room of the compost sector	1,785,349	Fixed assets should be correctly brought to account.
		Action will be taken to rectify in future.

Public Toilet of the Katuwana Weekly Fair	1,107,363	Fixed assets should be correctly brought to account.	Action will be taken to rectify in future.
Three lands vested with the Sabha in 2016, 2017 and 2018 during auctioneering of land	300,000	Fixed assets should be correctly brought to account.	Action will be taken to rectify in future.

- (iii) The value of a tractor received as donation in 2011 and 03 acres of land vested for Solid Waste Material Project in 2013 had not been assessed and brought to account. All fixed assets should be brought to account. Action will be taken to rectify in future.

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

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Two items of accounts aggregating Rs.15,569,888 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 in future to prepare detailed schedule and age analysis.

## 1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules			
(i) Rule 177	Tender procedure had not been followed for the lease of 25 stalls at the Kirama Trade Complex.	Action should be taken according to the rule.	These stalls had been given after furnishing the list of names of applicants of stalls to the General Council for which approval had been granted. The approval of the Chief Minister had also been obtained.
(ii) Rule 185	The average monthly excess cash in 05 current accounts of the Sabha were Rs.4,754,631, Rs.7,075,839, Rs.2,127,604, Rs.6,064,573 and Rs.651,674 respectively.	Action should be taken according to the rule.	Out of the excess cash, Rs.7,500,000 had been transferred to the Employees' Loan Account and distress loans had been granted to employees in the waiting list.
(ii) Rule 193	Items of Revenue and Expenditure had not been reconciled with the budget and a statement showing the cause of surpluses and deficits had not been furnished.	Action should be taken according to the rule.	A register reconciling the budgeted and actual information will be furnished while preparing the final accounts 2019.
(b) Paragraph 3.1 of the Public Administration Circular No.30/2016 of 29 December 2016.	Consumption of fuel by 13 vehicles of the Sabha had not been tested.	Action should be taken according to the circular.	Consumption of fuel by 05 vehicles had been tested. Fuel tests of other vehicles will be done as soon as possible.

- (c) Paragraph 05 of the Circular No.දපපා/පපාකො/2010/01 of 27 December 2010 of the Southern Commissioner of Local Government. Although agreements of stalls should be updated every 3 years, such action had not been taken regarding 18 stalls. Action should be taken according to the circular. Agreements had been entered into regarding stalls other than the stalls 01-08 of the Middeniya Rajapaksha Super Trade Complex. Agreements will also be into for the above 08 stalls after obtaining the approval of the Chief Minister.

## 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 2018 amounted to Rs.19,982,789 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.21,428,629.

### 2.2 Revenue Administration

#### 2.2.1 Estimated 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	902,200	1,088,533	1,086,703	2,020	56,400	1,044,512	1,046,772	1,830
Lease Rent	13,462,100	12,646,360	12,722,807	1,481,747	14,502,590	11,626,932	12,615,922	1,558,194
Licence Fees	724,050	1,217,419	1,218,119	48,950	1,528,200	1,517,396	1,577,896	49,650
Other Revenue	17,508,800	31,958,936	21,467,516	43,245,392	16,144,800	28,989,608	19,415,169	32,753,972
Total	32,597,150	46,911,248	36,495,145	44,778,109	32,231,990	43,178,448	34,655,759	34,363,646

## 2.2.2 Performance in Collection of Revenue

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The arrears of revenue as at 01 January of the year under review amounted to Rs.34,363,646. Billings of the year amounted to Rs.46,911,248. Accordingly, the overall revenue to be collected during the year amounted to Rs.81,274,894 whereas the revenue collected amounted to Rs.36,495,145. The progress in collection of recovery was 45 per cent.	Arrears of revenue should be collected.	The percentage of arrears of revenue had increased due to arrears of stamp fees and arrears of water charges.

## 2.2.3 Rates and Taxes

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Improved arears had been gazetted by the Gazette Extra ordinary Notification No.9/1346 of 22 June 2004. However, action had not been taken to levy rates and taxes in terms of Section 134 of the Pradeshiya Sabha Act.	Action should be taken to recover rates and taxes.	The Department of Valuation had been requested to assess the properties. Necessary action will be taken after obtaining the assessment report.

## 2.2.4 Rent

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Action had not been taken to recover stall rent of Rs.431,350 and the key money of Rs.9,924,333 due from 15 stalls of the Sabha as at 31 December of the year under review.	Arrears of rent should be recovered.	Out of the arrears, Rs.1,035,950 had been recovered. Action will be taken to recover the balance.
(b) Action had not been taken to recover Rs.106,750 due from the Middeniya Car Park of the Sabha given on lease during the year under review.	Arrears of rent should be recovered.	A case had been filed against the lessee in the court of law to recover the arrears.

## 2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines and stamp fees due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2018 amounted to Rs.1,983,923 and Rs.35,595,163 respectively.	Arrears of court fines and stamp fees should be recovered soon.	Out of the receivables, as at 31 December 2018 court fines of Rs.1,675,323 and stamp fees of Rs.324,677 had been received.

## 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 No.15 of 1987, 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) Solid Waste Material Management

Audit Observation	Recommendation	Comments of the Accounting Officer
An environmental protection licence had not been obtained for garbage management in terms of the gazette notification No.16/1553 of 25 January 2008 issued with reference to the new gazette revision No.53 of 2000 pertaining to the National Environmental Act.	National Environmental Licence should be obtained.	An application to obtain environmental protection licence had been forwarded on 30 April 2019 after rectifying shortcomings.

#### (b) Sustainable Development Target

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	Indicators to measure sustainable development objectives and targets	Programmes for upliftment of nutrition of children and mothers,

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.

should be identified and the progress achieved should be measured accordingly.

eradication of diseases etc., are carried out by allocating funds in the budget. Action is being taken to include these matters in the four year plan.

### 3.2 Human Resources Management

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to regularize 02 excesses and fill 21 vacancies of the Sabha.	Excesses of the cadre should be regularized and vacancies filled.	Recruitments for 07 vacancies in the minor employees' service had already been made. Appointment had been made for one excess post in terms of circular No.25/2014. An excess in one post is due to the re-appointment of a person who had left the service on medical grounds.
(b) Sixteen officers of the sabha had been assigned with duties other than the approved duties.	Should be assigned with approved duties.	Action will be taken to avoid such shortcomings in future.
(c) Action had not been taken even during the year under review to recover the total sum of Rs.589,068 due from 10 officers who had vacated posts, expired and gone on transfers.	Action should be taken to recover employees' loans.	The Chief Secretary had informed by his letter to set off the employees' loans due from officers who had gone on transfers against the stamp fees and reminders had been sent to officers who had vacated posts to pay their dues.

**3.3 Operating Inefficiencies**

	----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a)	Although it had been informed that the assessments made by the Department of Valuation in 2012 and 2014 for 32 stalls at Middeniya and Kirama will be valid for only 02 ensuing years, stall rent had not been recovered on the basis of those assessments even during the year under review.	A new assessment should be obtained and stall rent recovered accordingly.	Although a request had been made for a new assessment, an assessment report had not been obtained so far.
(b)	Action had not been taken to call for tenders for 09 fairs of the Sabha. Fair tax had been recovered by employing 06 employees recruited on the basis of payment of commission.	Tenders should be called for and lease granted in order to regularize collection of revenue of the Sabha.	Approval of the Chief Minister to collect tax from fairs on direct basis had been obtained by the letter of 16 August 2010. The Sabha had decided to collect tax on a direct basis in the year 2019 too.

**3.4 Assets Management**

**3.4.1 Unattended Maintenance and Repairs**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Action had not been taken to repair/ dispose of 8 vehicles of the Sabha lying inoperative for a long time.	Action should be taken to repair or to dispose of the inoperative vehicles.	RC-7796 tractor is being used. Necessary action is being taken to repair the tractor 270-0429. Action will be taken to acquire 02 hand tractors and auction them. Action will also be taken to auction three pieces of water bowsers in future.



**3.4.2 Assets not acquired**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Legal ownership of 09 vehicles used by the Sabha and 57 crematoriums had not been obtained even by 31 December 2018.	Action should be taken to acquire assets,	Out of the vehicles not acquired, action to acquire vehicle No.53-1634 is being taken now. Requests had been made to the Divisional Secretariats of Katuwana and Walasmulla for acquirement of crematoriums which had not been accomplished up to now.

**3.4.3 Idle/ Under-utilized Assets**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
The Katuwana week end fair building valued at Rs.9,984,179 had been handed over to the Sabha in 2015. This remained idle for 04 years.	Action should be taken to utilize assets.	Fair had not been opened due to lack of common amenities and protective fence. This will be opened in 2019.

**4. Accountability and Good Governance**

**4.1 Budgetary Control**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) An expenditure of Rs.328,711 had been incurred in excess of the budgeted limit with regard to 02 items of expenditure, ranging from 42 to 50 per cent.	Feasible estimates should be prepared.	Action will be taken to avoid such occurrence.
(b) Savings in 02 items of expenditure aggregated Rs.2,920,149, ranging from 39 to 45 per cent.	Feasible estimates should be prepared.	Action will be taken to avoid such occurrence.
(c) Adverse variances in 03 items of revenue aggregated Rs.8,790,530, ranging from 06 to 18 per cent.	Feasible estimates should be prepared.	Action will be taken to avoid such occurrence.