

Kataragama Pradeshiya Sabha  
Moneragala District.  
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1. Financial Statements  
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1.1. Presentation of Financial Statements  
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While Financial Statements for the year 2018 had been presented to Audit on 28 February 2019 summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 28 May 2019 were sent to the to the Chairman of the Sabha.

1.2 Qualified Opinion  
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In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Kataragama 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 the qualified opinion  
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(a) Accounting Deficiencies  
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	Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Although the Investment Interest Income was Rs. 933,869 it had been accounted as Rs. 753,205 understating in a sum of Rs. 753,205 in the accounts.	The correct value should be accounted.	The error will be corrected through the journal in 2019.
(ii)	The value of the ceiling constructed during the year under review at an expenditure amounting to Rs. 54,865 and Furniture, Equipment, Machinery and Office Equipment purchased and fixed amounting to Rs.804,570 had not been capitalized.	Should be correctly accounted.	Adjustments will be made correctly in the financial statements for the year 2019.

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| (iii)  | Provision had not been made in the financial statements for expenditure incurred amounting to Rs. 490,313 during the year 2019 on account of the year under review.  | Should be correctly accounted. | Be informed that the error in not making adjustments for creditors will be rectified.           |
| (iv)   | Capital expenditure mounting to Rs. 217,783 incurred during the year under review had been accounted as recurrent expenditure.   | Should be correctly accounted. | Error due to wrong adjustments in transferring expenditure heads will be rectified in 2019.     |
| (v)    | Revenue receivable for the year under review amounting to Rs. 321,444 had not been accounted.  | Should be correctly accounted. | Error in not accounting under debtors will be rectified.  |
| (vi)   | Allowance for performing duties amounting to Rs. 52,986 during the year under review and amount to be reimbursed from the Provincial Council in respect of Members Allowance for November of the year under review had not been shown under Debtors. | Should be correctly accounted. | Error in not accounting under debtors will be rectified.  |
| (vii)  | Although the total value of the Solid Wastes Management Centre constructed and handed over under Japan International Assistance Agency (JICA) was Rs. 47,586,343, a sum of Rs. 20,856,343 only had been accounted.                                   | Should be correctly accounted. | Correct financial value will be obtained from the relevant institute and accounted accordingly. |
| (viii) | The value of 2 tractor trailers amounting to Rs. 300,000 according to the Fixed  | Should be correctly accounted. | Correct financial value will be identified and accounted  |

Assets Register had been accounted as s. 480,000.

accordingly

- (ix) Although the value of stock of stores material at the end of the year under review according to stocks registers was Rs. 697,716, it had been accounted as Rs.1,167,061. Should be correctly accounted. Overstatement of stocks in accounting will be rectified in 2019.
- (x) Fixed Deposits Interest Revenue Receivable amounting to Rs. 290,494 for the year under review had been accounted as arrears of Trade Stalls Rent without being accounted as Fixed Deposits Interest Receivable. Should be correctly accounted. Error in recording in the accounts will be adjusted in 2019.
- (xi) The value of a water bowser and a hand tractor donated to the Sabha had not been assessed and brought to account. Should be correctly accounted. Error in not accounting the assessed value of vehicles will be rectified.

(b) Non-reconciled Control Accounts

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Audit Observation

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Recommendation

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Comments of the Accounting Officer

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There was a difference of Rs.14,270,144 between the balances shown in the financial statements presented for the year under review and the balances in the registers and schedule relating to deposits, work debtors, staff loans and arrears of revenue from tendered properties

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Registers and schedules should be updated correctly and reasons for the differences should be looked into and accounts should be corrected

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Reasons for the differences between financial statements and schedules will be looked into and rectifications will be made.

(c) Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Non- rendition of age analysis relevant to assets items amounting to Rs. 7,259,127 and updated registers, schedules and age analysis relevant to 4 deposit items as evidence to confirm those balances.	Evidence to confirm account balances should be furnished.	A report on age analysis will be prepared within a month and correction of registers will be done within a month.

1.4 Non-compliances

Non-compliance with Rules and Regulations

Reference to Rules and Regulations	Non compliance	Recommendation	Comments of the Accounting Officer
Pradeshya Sabha Act No. 15 of 1987			
(i) Section 24	An Inventory had not been Maintained for roads and lanes belong to the Pradeshya Sabha	An Inventory should be maintained for roads	A Roads Inventory is being prepared.
(ii) Section 139	Periodical Reports should be called for in order to make it possible to assess the annul value. Arrears of Rates amounting to Rs	Periodical Reports should be called for to make it possible for assessment of annual value.	Necessary action will be taken to call for periodical reports.
(iii) Sections 158, 162 and 163	7,259,127 outstanding as at 31 December of the year under review had not been recovered.	Action should be taken to recover arrears of rates.	Action will be taken to expedite the recovery of rates in arrears.

## 2. Financial Review

### 2.1. Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 7,946,000 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 9, 841,630.

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

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue for the year Under and preceding year, as furnished are shown below.

Source of Revenue	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	Rs
(i) Rates and Taxes	8,119,400	8,274,133	4,851,519	3,422,614	9,518,000	8,007,937	4,983,082	3,024,855
(ii) Rent	14,440,900	11,975,699	11,859,098	116,601	11,474,000	13,279,976	13,221,269	58,707
(iii) License Fees	967,600	1,374,100	1,374,100	-	1,179,660	1,605,774	1,605,774	-
(iv) Other Revenue	<b>19,827,100</b>	22,088,077	14,189,350	7,898,657	26,576,800	14,768,095	13,665,098	1,102,997
<b>Total</b>	<b>43,355,000</b>	43,711,939	32,274,067	11,437,872	48,748,460	37,661,782	33,475,223	4,186,559

### 2.2.2 Performance in Revenue Collection

#### Audit Observation

Out of the total revenue billed for the year under review amounting to Rs.43,711,939 while a sum Rs.11,437,872 had not been recovered as at the end of the year, it had been 26 percent of the total amount billed.

#### Recommendation

Arrears of Revenue should be recovered soon.

#### Comments of the Accounting Officer

Action will be taken to recover arrears soon by conducting Special programs.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) (i) Out of the total rates revenue billed for the year under review amounting to Rs. 6,198,636 while a sum Rs. 3,422,615 had not been recovered as at the end of the year under review, it had been 55 percent of the total amount billed.</p> <p>(ii) Out of arrears of revenue at the Beginning of the year under review amounting to Rs. 5,103,741, while a sum Rs. 3,836,511 had not been recovered as at the end of the year under review, it had been 75 percent of the amount in arrears at the beginning of the year.</p>	<p>Arrears of Revenue should be recovered soon.</p> <p>Should be recovered soon.</p>	<p>Action will be taken to recover arrears soon by conducting special programs.</p> <p>Conducted and legal action will be taken to recover arrears.</p>
<p>(b) Lease money amounting to Rs. 5,458,237 outstanding from 12 properties belong to the Sabha as at 31 December of the year under review had not been recovered.</p>	<p>Outstanding lease money should be recovered.</p>	<p>Action will be taken to hand over the files to the lawyer to take legal steps for recovery of arrears.</p>

2.2.4 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Rent outstanding amounting to Rs. 946,270 due from 118 stalls belong to the Sabha as at 31 December of the year under review, had not been collected.</p>	<p>Arrears of rent should be recovered.</p>	<p>Arrears will be recovered soon.</p>

### 2.2.5 Other Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
The sum of Rs. 92,880 due for hiring out the gully browser belong to the Sabha as at 31 December of the year under review had not been recovered.	Machine Hire Charges should be recovered	Amount of arrears to be recovered further is Rs. 33,320. That amount will be recovered soon

### 2.2.6 Permanent Trading Publicity Advertisement Boards Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
Permanent Trading Publicity Advertisement Boards Revenue receivable amounting to Rs 1,143,400 as at 31 December of the year under review had not been recovered	Advertisement Board charges in arrears should be recovered.	Institutions will be informed after carrying out a preliminary survey. and recoveries w soon. Action will be taken for removal ill be made of advertisement boards and legal steps.

### 2.2.7 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court Fines arrears amounting to Rs.1,369,048 and Stamp Fees arrears amounting to Rs. 4,866,004 recoverable as at 31 December of the year under review had not been recovered.	Court Fines and Stamp Fees arrears should be recovered	Court Fines and Stamp Fees relevant to the preceding year have been recovered

## 3. Operating Review

### 3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) By-law</p> <p>Although by-laws should be imposed in order to fulfill 30 main matters under Section 126 of the Pradeshiya Sabha Act, out of those, by-laws had not been imposed in respect of 7 subjects even as at 31 December of the year under review.</p>	<p>By-laws should be imposed for matters for which by-laws had not been imposed.</p>	<p>Action will be taken to impose by-laws.</p>
<p>(ii) Action Plan</p> <p>While an Action Plan had not been prepared for the year under review, accordingly, objectives to be reached during the year and activities expected to be implemented had not been identified. Due to that, ability to evaluate annual performance had been missed.</p>	<p>An Action Plan should be prepared.</p>	<p>An Action Plan will be prepared for the ensuing year.</p>
<p>(iii) Works Not Performed</p> <p>Although blocks and raw material had been purchased having spent a sum of Rs. 60,000 for making interconnected slab stones on direct labor basis in order to develop the compound of the Pradeshiya Sabha, relevant project had not been implemented.</p>	<p>Relevant project should be implemented</p>	<p>Slab stones had been taken away to repair pavements in two places in the area of authority of the Sabha on the orders of the vice chairman.</p>
<p>(iv) Sustainable Development Goals</p> <p>Although the Sabha was aware of the “Sustainable Development Agenda – 2030” of the United Nations, indexes had not been identified in order to measure sustainable development objectives and goals which could be applied to the Sabha</p>	<p>Indexes should be identified to measure sustainable development objectives and goals and accordingly progress relating to reaching the annual goals should be measured.</p>	<p>Action will be taken to identify indexes to measure sustainable development objectives and goals.</p>



### 3.2 Management Ineficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) <u>Accounts Receivable</u></p> <p>(i) Arrears of Trading Spaces Rent amounting to Rs6,351,392 shown in the financial statements had not been recovered during the year under review as well. Parties from whom those dues to be recovered too had not been identified.</p> <p>(ii) Arrears of Public Market Rent and arrears of Stalls Rent totaling to Rs. 1,604,560 shown in the financial statements had not been recovered during the year under review as well. Age analysis of those too were not submitted.</p>	<p>Parties from whom those dues to be recovered should be identified and arrears rent should be recovered.</p> <p>An age analysis should be prepared and arrears rent should be recovered.</p>	<p>Action will be taken to write-off those rents.</p> <p>Arrears rent will be recovered soon.</p>
<p>(b) <u>Accounts Payable</u></p> <p>Value Added Tax Payable amounting to Rs. 4,319,539 outstanding for more than one year shown in the financial statements had not been settled during the year under review as well.</p>	<p>Action should be taken to settle the balances payable.</p>	<p>Will be settled on the basis of instructions to be obtained from the office of the Commissioner of Local Government.</p>

### 3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Twenty five employees' vacancies relevant to 11 posts of the approved cadre of the Sabha as at 31 December of the year under review had not been filled</p>	<p>Cadre vacancies should be filled.</p>	<p>Action will be taken soon to fill vacancies in the cadre.</p>

### 3.4 Vehicles Utilization

#### 3.4.1 Non-transfer of Ownership of Vehicles

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to transfer legal ownership of 20 vehicles used by the Sabha.	Vehicles ownership should be transferred.	Action will be taken to transfer ownership of vehicles

#### 3.4.2 Non-submission of Daily Running Charts

Audit Observation	Recommendation	Comments of the Accounting Officer
Daily Running Charts and Monthly Performance Summaries for the year under review relevant to 08 Sabha vehicles had not been submitted to the Auditor General in terms of Financial Regulation 1646.	Daily Running Charts and Monthly Performance Summaries should be submitted to the Auditor General.	Running Charts will be submitted soon to the Auditor General.

### 3.5 Losses and Damages

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Sundry revenue amounting to Rs. 403,331 recovered during the preceding year and year under review by a revenue inspector had not been credited to the Sabha Fund.	Entire amount should be recovered to the Sabha Fund.	While it has been informed in writing to handover the money to the Sabha, legal action will be taken.
(b) While 2 sub-receipts books to two employees and 1 P.S. receipt book to one employee of the Sabha had been issued, either those books or any money recovered had not been handed over to the Sabha. Any details with regard to money collected too were not furnished to audit.	While receipt books and money collected should be taken back to the Sabha, information should be furnished to audit.	While money collected on some receipts has been handed over to the Sabha, money relevant to balance receipts will be recovered soon.

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| (c) | Advertisements Charges amounting to Rs. 904,000 for advertisements boards and flags exhibited during the Esala Festival of the year under review by 11 business entities and charges amounting to Rs. 1,360,000 for 19 exhibition booths carried on at 08 places by 15 business entities had not been recovered causing a loss totaling Rs. 2,264,000 to the Sabha Fund. | Entire amount should be recovered to the Sabha Fund.           | Money had not been recovered from institutions nominated for exemption from advertisements boards charges. |
| (d) | Nine receipts books for recovering vehicle parking fees amounting to Rs. 108,000, issued to two permanent employees of the Sabha and to one person engaged on commission basis or any money recovered had not been handed over to the Sabha even up to the end of the year under review.   | Nine receipts books and money should be obtained to the Sabha. | Action will be taken to obtain the relevant receipts books and money soon.                                 |

### 3.6 Procurements

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 Audit Observation

Recommendation

Comments of the Accounting Officer

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 A Procurement Plan had not been prepared for the year under review.

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 Procurement Plan should be prepared in conformity with annual budget.

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 Wish to inform that a Procurement Plan will be prepared for the ensuing year.

## 4. Accountability and Good Governance

### 4.1 Budgetary Control

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 Audit Observation

Recommendation

Comments of the Accounting Officer

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 When estimated revenue and expenditure according to the budget prepared for the year under review are compared with the actual revenue and expenditure, variations from 11 percent to 86 percent in 7 items of

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 An accurate budget should be prepared and targets therein should be achieved.

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 When preparing the budgets in future, budgets will be prepared so as to ensure minimum variations.

revenue and variations from 21 percent to 77 percent in 2 items of expenditure were observed.

4.2 Audit and Management Committees.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>An Audit and Management Committee had not been established for the year under review as per internal audit guidelines referred to in the Circular No. DMA/2009(01) dated June 9 of the Management Audit Department.</p>	<p>-----</p> <p>An Audit and Management Committee should be established in the Sabha.</p>	<p>-----</p> <p>An Audit and Management Committee has been established for the year 2019.</p>