

**Kirinda Puhulwella Pradeshiya Sabha,
Matara District.**

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 19 February 2020. Auditor General's summary report of such financial statements and detailed management audit report have been sent to the Chairman on 08 June 2020 and 15 June 2020 respectively.

1.2 Qualified Opinion

It is my opinion that financial status of Pradeshiya Sabha of Thihagoda as at 31 December 2019 and financial performance thereof for the year ended by the same day are in compliance with generally accepted accounting principles and shown true and fair status by financial statements except the impact caused by matters described in the part of basis for the qualified opinion in this report.

1.3 Basis for the qualified opinion

(a) Accounting deficiencies

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
(i) Expenditure Rs.703,811 borne for assets development of the Sabha in the year under review and for purchase of a few equipment at several occasions had not been capitalized.	It should be capitalized under fixed assets.	Corrective actions will be taken in the financial statement for the year 2020.
(ii) No allocation had been made for audit fees for the year under review.	It should be accounted accurately.	Corrective actions will be taken in the financial statement for the year 2020.
(iii) Rs.83,313 had been over accounted because other aid income of Rs.25,899,257 as per monthly summary of consolidated receipts in the year under review had been stated as Rs.25,982,510.	It should be accounted accurately.	This difference occurred due to negligence to adjust cross reference.

(b) Non - Reconciled accounts

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
Difference of total was Rs.70,065 between balance of 02 account subjects of total Rs.5,629,362 which are included in financial statements and related documents and schedules thereto.	Actions should be taken to compare differences of balances concerned and correct accounts.	Corrective actions will be taken in the years to come.

(c) Unavailability of necessary documentary evidences for the audit

Audit observation -----	Recommendation -----	Comments by Accounting Officer -----
In the audit it was unable to satisfactorily observe 04 account subjects of which Total Rs.42,676,179 since needy information was not presented.	Evidences by which account balances stated in financial statements are proved should be presented.	Informed that 02 documents are being properly maintained at the moment and actions will be taken to make other documents in the future.

1.4 Non - compliance

1.4.1 Non - compliance with rules, regulations and management decisions

Occasions of Non - compliance to rules, regulations and management decisions are as follows.

Reference to rules, regulations and management decisions -----	Non - compliance -----	Recommendation -----	Comments made by Accounting Officer -----
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.) -----			
(i) Rule 193	Statement of reasons for surplus and deficit by comparing actual expenditure	Should act as per rules.	Future actions will be taken to present.

of object codes and budgeted and supplementary expenditure had not been presented along with accounts.

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| (b) | Letter No. SPP/15 dated 19 th March 2007 issued by Southern Provincial Commissioner of Local Govt. | Recommendations regarding Sabha lands / buildings given on surveys done in the year under review had not been carried out. | Actions should be taken as per letter of instructions. | Had to issues of boundaries of lands in carrying out recommendaions given by board of survey |
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2. **Financial Review**

2.1 **Financial Result**

As per financial statements presented income exceeding recurrent expenditure in the year under review was Rs.1,429,138 and in comparison to it income exceeding recurrent expenditure in the previous year was Rs.112,566.

2.2 Income Administration

2.2.1 Estimated income, billed income, collected income and arrears of income

Information of estimated income, billed income, collected income and arrears of income pertaining to year under review and previous year are as follows.

Income source	2019				2018			
	Estimated income	Billed income	Collected income	Total arrears as at 31 st December	Estimated income	Billed income	Collected income	Total arrears as at 31 st December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & taxes	1,048,780	1,110,356	1,042,030	653,893	1,163,483	1,170,105	1,286,898	585,567
Rentals	3,537,000	1,975,340	2,869,255	243,120	3,694,250	2,328,555	2,561,282	1,137,035
Permit fees	147,750	198,150	198,150	97,675	142,250	127,685	154,910	97,675
Other income	6,748,500	6,745,434	3,099,098	15,117,840	31,470,680	27,863,514	21,505,934	11,471,504
Total	11,482,030	10,029,280	7,208,533	16,112,528	36,470,663	31,489,859	25,509,024	13,291,781

2.2.2 Rates & Taxes

Audit observation

Recommendation

Comments by
Accounting Officer

(a) Rates

Initial arrears in the year under review was Rs.430,852 and Rs.882,019 was to be recovered with Rs.451,167 being billings (along with fees and surcharges). Since total recoveries within the year was Rs.374,858 deficit was Rs.507,161 at the end of the year.

Arrears of income of assessment should be recovered soon.

Final notices have been already sent to recover arrears.

(b) Acreage tax

Amended initial arrears in the 2019 was Rs.154,715 and billings (along with fees and surcharges) was Rs.12,311. Since total recoveries within the year was Rs. 20,294 deficit was Rs. 146,732 at the end of the year. Recoveries were low as 12 per cent of billings and deficit at the beginning of the year.

Arrears of acreage tax should be recovered soon.

Future actions will be taken to recover these arrears through notices for persons who do not pay acreage tax and after verifying information through field inspections.

2.2.3 Other Income

Court fines and stamp fees

Audit observation

Recommendation

Comments by Accounting
Officer

Sum of Rs.2,000 being court fines and Rs.15,115,840 being stamp fee were to be received from Chief Secretary and other authorities of Provincial council.

Court fines and arrears of income should be recovered soon.

Out of due amount stamp fee of Rs. 2,457,500 has been already received.

3. Operating Review

3.1 Sustainable Development Targets

Audit observation	Recommendation	Comments by Accounting Officer
Although as per section 3 of Pradeshiya Sabha Act, the Sabha was expected to perform duties such as regularizing and control of public health, public utilities services and matters pertaining to public roads, well being of people, convenience and welfare, Sabha had not prepared long term plans for the improvement of living standard and health of people living within the Sabha area through global indexes aimed at sustainable development goals and targets in the agenda for sustainable development 2030.	Programs should be planned and carried out to achieve sustainable development goals and targets.	Although long term plans were not prepared to uplift living standard and health of people living in Sabha area, actions will be taken to continue them from the year 2020.

3.2 Management inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
(a) Although Sabha approval had been given for a building of 369 sq. m as per development permit bearing No. 30/31/2017 which was approved by planning committee of the Sabha on 11 December 2017, in the field inspection it was revealed that building of 1098 sq. m had been constructed. Actions had not been pertaining to this matter as per sub section 6 (ii) of Gazette notification No. 1597/8 dated 17 th April 2009 issued by Urban Development Authority.	Should act as per the Gazette notification.	Upon receipt of amended plan surcharges pertaining to cover approval under sub section 6 II as per Gazette notification No. 8/1597 dated 17 th April 2009.
(b) No actions had been taken to recover surcharges and regulate 02 constructions containing in total extent 306,6 sq. m done without a development permit as per sub section 6 (ii) of Schedule V of Gazette notification No. 1597/8 dated 17 th April 2009. Future actions had not been taken even regarding another 03 unauthorized constructions reported to Sabha.	Should act as per the Gazette notification.	Necessary future actions will be taken.

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| (c) | Disaster management plan had not been prepared as per letter No. 03/02/02/01 dated 19 th December 2017 issued by Southern Provincial Commissioner of Local Government. | Should act as per the letter. | Disaster management plan will be prepared for the year 2020. |
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3.3 Human Resources Management

Audit observation	Recommendation	Comments by Accounting Officer
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Vacancies and excess of cadre

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| (a) | Actions had not been taken to fill 02 vacancies and regularize 09 excessive posts. | Vacancies should be filled and excessive posts be regularized. | It has been referred with reports of justifying for regularization of excess and recruitments for vacancies have been temporary stopped by now because of the election. |
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Employees loans

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| (a) | Actions had not been taken to recover arrears of employees loan of Rs.1,106,650 at the end of the year under review. | Arrears of loans should be recovered soon. | Written notices have been made and not yet received. |
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3.4 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
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| (a) | Sabha attention had not been paid towards 14 forms who had not obtain environment protection permits for the year under review and permit fees of Rs.61,600 had not been recovered. | Actions should be taken to issue environment protection permits. | Future actions will be taken to legal actions if permits are not obtained. |
| (b) | No survey had been conducted pertaining to notice boards as per provisions of Gazette No. 2104 dated 28 th December 2018 and sum of Rs.82,525 had not been recovered for 57 notice boards displayed Hakmana – Matara road as at 13 th December 2019. | Should act as per the Gazette. | Actions will be taken to recover fees with effect from the year 2020. |

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| (c) | Agreements of 18 boutique rooms of public market belonged to the Sabha had not been updated. | Agreements should be updated. | Actions will be taken to solve all issues regarding agreements with no delay. |
| (d) | Actions had not been taken to publish in Gazette developed areas as per section 134 (i) of Pradeshiya Sabha Act No. 15 of 1987 though approval had been given to declare Sabha area as developed area as per letter No. MR/ACLG/06/01/2019 dated 27 th November 2019 issued by Asst. Commissioner of Local Government. | Should act as per the Act. | Future actions will be taken. |

3.5 Assets Management

3.5.1 Non performance of maintenance and repair

Audit observation	Recommendation	Comments by Accounting Officer
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Actions had not been to repair get use building of Malwathugoda Community Hall which not used and belonged to Sabha.	It should be repaired and used.	Future actions will be taken to repair and use.

3.5.2 Non vested assets

Audit observation	Recommendation	Comments by Accounting Officer
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Actions had not been taken to acquire 15 lands which are being used by the Sabha.	Ownership of lands used by Sabha should be acquired.	Ownership of 03 lands has been acquired and necessary actions will be taken to acquire other land to the Sabha.

3.5.3 Idle and under utilized assets

Audit observation	Recommendation	Comments by Accounting Officer
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11 Sabha lands containing in extent 01 acre 01 roods 24.1 perches had been non functional without using for productive purpose.	It should be used for a productive purpose.	In the year 2019 it was tendered in two occasions for lease out for short term crops and only 03 were demanded by lessees and such 03 lands were leased out and remaining lands were not demanded.

3.6 Contract control

Audit observation	Recommendation	Comments by Accounting Officer
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(a) Sum of Rs. 74,011 had been over paid for 04 roads due to not using rates of Rs.3,792 in developing roads using ABC in the year under review as per letter of District Secretary dated 03 rd September 2019.	Rates required should be used.	Actions will be taken to deduct when retention is released.