

**Pasgoda Pradeshiya Sabha
Matara District.**

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 27 February 2020 and 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 Pasgoda 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
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(i)	Over allocation had been made by Rs.102,427 due for the industry of consruction of water project of Urubokka Playground.	It should be accounted accurately.	Corrective actions will be taken in future.
(ii)	Over allocation had been made by Rs.56,828 for industry debtors in the year under review.	It should be accounted accurately.	Corrective actions will be taken in future.
(iii)	Equipment worth Rs.289,641 received as donations in the year under review had not been accounted.	All fixed assets should be accounted.	Corrective actions will be taken in future.
(iv)	Expenditure of Rs.219,717 pertaining to tendeing for the year to come had been accounted as an expenditure of the year under review.	It should be accounted accurately.	Corrective actions will be taken in future.

(b) **Non - reconciled accounts**

Audit observation	Recommendation	Comments by Accounting Officer
Difference of total was Rs.114,369 between balance of 03 account subjects of total Rs.7,687,969 which are included in financial statements and related documents and schedules thereto.	Actions should be taken to compare differences of accounts concerned and correct accounts.	Corrective actions will be taken in future.

(b) **Unavailability of necessary documentary evidences for the audit**

Audit observation	Recommendation	Comments by Accounting Officer
In the audit it was unable to satisfactorily observe 03 account subjects of which Total Rs.1,515,535 since needy information was not presented.	Evidences by which account balances stated in financial statements are proved should be presented.	Corrective actions will be taken in 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	Recommendation by Counting Officer
(a) Pradeshiya Sabha Rules of 1988 (Financial & Admin.) Rule 178 (7) (2)	Quotation had not been obtained so that secrecy is safeguarded in purchase of water tanks and street lamps valued Rs.365,150 according to sample inspection.	Actions should be taken as per rules.	Actions will be taken for purchase by obtaining quotations through tender box so that secrecy is safeguarded.
(b) Paragraph 6.2.2 of Govt. Procurement Guide	Only 14 days had been given in calling for qualifications in registration of contractors.	Actions should be taken as per provisions.	Future actions will be taken to publish newspaper advertisements as per procurement uidlines by giving period of 21 days.

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| (c) | Financial Regulation of Democratic Socialist Republic of Sri Lanka 1646 | Daily running charts and monthly summaries pertaining to 06 Sabha vehicles and 03 machineries for the final quarter of the year under review had not been presented for the audit. | Actions should be taken as per financial regulations. | Actions will be taken to present on due date. |
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2. Financial Review

2.1 Financial Results

As per financial statements presented, Sabha income exceeding recurrent expenditure for the year ended by 31st December 2019 under review was Rs.13,881,782 and comparing with the previous year income exceeding recurrent expenditure was Rs.15,677,599.

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	2,037,500	1,682,285	1,678,593	99,784	1,712,000	1,673,275	1,674,580	96,092
Rentals	11,209,000	7,938,843	10,715,776	520,648	9,051,000	8,206,041	9,473,731	3,297,581
Permit fees	1,738,200	1,377,973	1,377,973	-	584,650	755,167	755,167	-
Other income	15,493,500	14,046,755	13,143,280	17,794,718	11,038,000	13,492,590	12,765,789	16,891,243
Total	30,478,200	25,045,856	26,915,622	18,415,150	22,385,650	24,127,073	24,669,267	20,284,916

2.2.2 Acreage tax

Audit observation	Recommendation	Comments by Accounting Officer
Initial balance was Rs.96,092 while sum of Rs.121,417 was to be recovered with billings of the year Rs.25,325 Since total recoveries within the year was Rs.21,632 arrears was Rs 99,785 at the end of the year under review.	Arrears of income should be recovered soon.	Acreage tax payers have been made aware to recover arrears of acreage tax and acreage tax due for the year.

2.2.3 Fair tax

Audit observation	Recommendation	Comments by Accounting Officer
Initial balance was Rs.221,448 while sum of Rs.5,817,611 was to be recovered with billings of the year Rs.5,606,123 Since total recoveries within the year was Rs.5,606,123 arrears was Rs.211,488 at the end of the year under review.	Arrears of income should be recovered soon.	Legal actions had been taken into this matter.

2.2.4 Other income

Court fines and stamp fees

Audit observation	Recommendation	Comments by Accounting Officer
At the end of the year under review sum of Rs.1,486,642 being court fines and Rs.15,461,870 being stamp fee were to be received from Chief Secretary and other authorities of Provincial Council	Arrears of income should be received soon.	Although requests have been made through Chief Secretary of Provincial Council, proper reimbursement had not been occurred.

3. Operating Review

3.1 Management inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
(a) Actions had not been taken to settle Rs.1,920,720 due into Local Govt. Service Pension Contributory Fund at the end of the year under review.	Quick actions should be taken to settle	Actions will be taken to pay pension contribution after proving accurate information.
(b) Although it could be deposited in a fixed deposit excessive money of the Sabha as per provisions of Pradeshiya Sabha Act No. 15 of 1987, Sabha had maintained a balance of fixed deposit of Rs.45,243,062 including Rs.5,000,000 deposited in bank in the year under review without implementing 05 projects of Rs.63,000,000 for which allocation had been made by budget.	Projects should be carried out soon.	Works of construction for which allocation had been made had not commenced due to troublesome situation of development of Sabha properties.
(c) Although 06 contractors had been selected by Evaluation Committee through publishing notices for inspection of eligibilities enduring a cost of Rs.40,689 for road development and construction purposes in the year under review, only a few of 92 development projects with an estimated value of Rs.45,038,163 had been assigned to approved societies.	Contracts should be awarded to selected contractors.	No project had been implemented under Rural Infrastructure development program due to inability to implement projects since presidential election had been declared.

3.2 Human Resources Management

Audit observation	Recommendation	Comments by Accounting Officer
(a) Vacancies & excess of cadre Actions had not been taken to fill 20 vacancies of approved posts and regularize excessive cadre of 01 employee.	Vacancies should be filled and excessive posts be regularized.	02 posts of Development Officer which vacated of secondary posts are fulfilled by now. Approval was obtained to duly recruit for 18 posts of primary level and all recruitments were temporary suspended until further notice according to letter No.01/06/01 from office of Local Govt. Commissioner on 27 th November of the year under review.

3.3 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
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Attention of Sabha had not been paid towards damages to environment by 43 firms who had not obtained environment permits for the year under review. In addition, Rs.301,000 had not been recovered as preparation fee and environment fee for that purpose.	Quick actions should be taken to inspect eligibilities and issue environment permits.	Actions will be taken to issue environment permits upon fulfilment of requirements for issue of environment permits.

3.4 Procurement

Audit observation	Recommendation	Comments by Counting Officer
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Although sum of Rs1,480,795 had been paid to a private firm in the year under review for the display of notice boards, specification, estimates, reports from technical evaluation committee and report from Technical Officer for the proper standard of notice boards fitted had not been obtained.	Actions should be taken to obtain report from Technical Officer in fixing all notice boards.	Payments will be made for notice boards prepared under national program of strengthening Pradeshia Sabhas upon forwarding bills and after reporting by Technical Services Officer after inspection.

4. Accountability and good governance

4.1 Internal audit

Audit observation	Recommendation	Comments by Accounting Officer
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Sufficient internal audit had not been done for the year under review.	Actions should be taken as per Financial Regulations and circulars.	Necessary actions will be taken to further carry out internal audit affairs within the year 2020 and forward reports to sub office of national audit.