

**Kotapola Pradeshiya Sabha
Matara District.**

1. Financial Statements

1.1 Presentation of financial statements

Financial statements of 2019 had been presented for the audit on 28 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 Kotapola 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) Sum of Rs.3,168,389 due for the construction industry at the end of the year under review had not been accounted under industries debtors.	It should be accounted accurately.	Corrective action will be taken in the year to come.
(ii) Sum of Rs.600,557 borne by Sabha for construction in the year under review had not been capitalized.	All fixed assets should be accounted.	Corrective action will be taken in the year to come.
(iii) No creditor allocation had been made for Rs.4,412,073 due into Local Govt. Services Pension Contributory Fund at te end of the year under review.	It should be accounted accurately.	Allocation will be made upon receipt of approval concerned.
(iv) Rs.130,984 borne for publishing tender notices for the year to come had been accounted as an expenditure of the year under review.	It should be accounted accurately.	Corrective action will be taken in the year to come.

(b) Suspense Account

Audit observation	Recommendation	Comments by Accounting Officer
No measures had been taken to identify, adjust and settle the balance of suspense account Rs.64,848 which is being brought forward in financial statements.	Should look into this matter and make needy adjustments in accounts and settle the suspense account.	Future actions will be taken to find reasons for the suspense account and settle the same.

(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.731,652 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	Comments made 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 accessories for installing 08 almirahs and street lamps valued Rs.803,662 according to sample inspection .	Should act as per rules.	Future purchases will be done so that secrecy is safeguarded.

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.7,999,509 and comparing with the previous year income exceeding recurrent expenditure was Rs.10,570,380.

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	6,751,000	4,214,115	3,941,104	1,222,092	6,192,000	3,133,963	3,059,826	949,081
Rentals	4,250,000	5,928,649	6,468,772	1,622,072	4,189,500	6,164,927	4,159,542	2,162,195
Permit fees	1,112,000	1,710,722	1,710,722	-	1,003,000	913,956	913,956	-
Other income	30,044,000	18,375,229	15,363,160	20,914,491	21,877,500	21,285,087	27,986,847	17,902,422
Total	42,157,000	30,228,715	27,483,758	23,758,655	33,261,500	31,497,933	36,120,171	21,013,698

2.2.2 Acreage tax

Audit observation	Recommendation	Comments by Accounting Officer
----- Initial balance was Rs.213,610 while sum of Rs.261,594 was to be recovered with billings of the year Rs. 47,984. Since total recoveries within the year was Rs.46,397 arrears was Rs.215,197 at the end of the year.	----- Arrears of income should be recovered soon.	----- At the Sabha meeting held on 18 th February 2020 the proposal was passed to write off Rs. 43,965 pertaining to lands auctioned of which name of the owner is not stated in documents of acreage taxes and owners are dead.

2.2.3 Rentals

(a) Rentals from fish stall at the fair

Audit observation	Recommendation	Comments by Accounting Officer
----- Initial balance arrears was Rs1,888,974 while sum of Rs.6,056,455 was to be recovered along with billings of the year Rs.4,167,481. Since total recoveries within the year was Rs. 4,528,658 arrears was Rs.1,527,797 at the end of the year under review.	----- Arrears of income should be received soon.	----- Lessees concerned have been made aware by letters to recover arrears of rentals as instalments and legal actions are being taken to recover balance of arrears.

(b) Business rentals

Audit observation	Recommendation	Comments by Accounting Officer
----- Initial balance arrears was Rs.141,637 while sum of Rs.2,102,272 was to be recovered along with billings of the year Rs.1,960,635. Since total recoveries within the year was Rs.1,607,145 arrears was Rs.495,127 at the end of the year.	----- Arrears of rentals should be received soon.	----- Cases have been filed at Magistrate Court to recover arrears.

2.2.4 Water charges

Audit observation	Recommendation	Comments by Accounting Officer
Initial balance arrears was Rs.2,193,641 while sum of Rs.5,292,889 was to be recovered along with billings of the year Rs.3,099,248. Since total recoveries within the year was Rs.3,294,299 arrears was Rs.1,998,590 at the end of the year.	Arrears of income should be received soon .	Cases have been filed at Magistrate Court to recover arrears.

2.2.5 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.2,668,691 being court fines and Rs.16,247,209 being stamp fee were to be received from Chief Secretary and other authorities of Provincial Council.	Arrears of income should be received soon .	Prior attention will be paid in future to obtain the same.

3. Operating Review

3.1 Achieving sustainable goals

Audit observation	Recommendation	Comments by Accounting Officer
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.	It should be identify indexes to measure sustainable development goals and targets and accordingly measure the progress of achieving annual targets.	Sustainable development goals and targets are being prepared and such plans will be forwarded for approval of the general meeting.

3.2 Human Resources Management

Audit observation	Recommendation	Comments by Accounting Officer
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(a) Vacancies & excess of cadre -----		
Actions had not been taken to fill 11 vacancies of approved posts and regularize excessive cadre of 03 employees.	Vacancies should be filled and excessive posts be regularized	Actions have been taken to regularize excessive posts. Published in Gazette and called for applications for 03 vacancies and for the post of Driver of Backhoe and at the moment all recruitments have been stopped on a cabinet decision.
(b) Employees loans -----		
At the end of the year under review actions had not been taken to recover arrears of loans of Rs.34,371 from 10 employees.	Arrears should be recovered.	Necessary actions will be taken to recover these arrears soon through legal actions.

3.3 Operating inefficiencies

Audit observation	Recommendation	Comments by Accounting Officer
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(a) 27 business firms had not obtained environment permits for the year under review and attention of the Sabha had not been paid for damages caused by these firms. In addition sum of Rs.189,000 had not been recovered as preparation fee and permit fees.	Environment permits should be issued after checking eligibilities and legal actions should be taken against those who do not obtain permits.	Permits will be issued upon completion of faults and letters of awareness have been sent for remaining industries to obtain permits.
(b) Fees from 03 hotels in Sabha area had not been charged for the year under review though a fee of 01 per cent should be charged as per section 149 of Pradeshiya Sabha Act No. 15 of 1987.	Should act as per the Act.	Legal actions have been taken against Rest House of Deniyaya out of 03 hotels and legal actions will be taken against other 03 hotels.

- (c) At the end of the year under review Value of books If that misplacement of 211
No. of misplaced books is 211 from misplaced should be books from two libraries of
two libraries of Deniyaya and recovered from Deniyaya and Kotapola is
Kotapola and valued Rs.51,560. parties concerned. stated in future board of
surveys, such amount will
be charged from officers
concerned.