

**Kataragama Pradeshiya Sabha**

-----  
**Monaragala District**  
-----

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented for audit on 25 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 23 June 2020 and 29 June 2020 respectively.

**1.2 Qualified Opinion**

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Kataragama Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for the Qualified Opinion**

**(a) Accounting Deficiencies**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

- |  |   |   |
|--|---|---|
| (i) The revenue had been over accounted debiting by Rs2,868,666 for the Accumulated Fund Account and crediting Rs.2,868,666 for the vehicle parks account incorrectly by the Journal Entry No.72 during the year under review. | The Accounts should be prepared accurately. | Inform that the Subject Officer had been advised to correct that by the Journal Entries when preparing the Financial Reports for the year 2020. |
| (ii) The Tractor valued Rs 1,314,900 received by the Sabha had not been accounted during the year under review   | The Accounts should be prepared accurately. | Inform that the Subject Officer had been advised to capitalize the value of the Tractor.  |

(iii)	Provisions for the Debtors had not been made on Expenses of Rs. 415,047 for the year under review.	The Accounts should be prepared accurately.	Inform that the Subject Officer had been advised to account the expenses of Rs. 415,017 correctly.
(iv)	The Tractor Trailer valued Rs.325,000 received as a donation during the year under review had not been capitalized.	The Accounts should be prepared accurately.	Inform that the Subject Officer had been advised to correct the relevant accounts.
(v)	The Expenses of Rs.147,000 spent on constructions for the year under review had not been capitalized.	The Accounts should be prepared accurately.	Inform that the Subject Officer had been advised to correct the relevant accounts.
(vi)	The Acting Allowance paid of Rs.109,376 for the Former Secretary of the Sabha for the acting during the November 2019 to December that should be reimbursed by the Provincial Council had not been stated in the Financial Statements.	The Accounts should be prepared accurately.	Inform that the Subject Officer had been advised to allocate the provisions for debtors for the amount paid.

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

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

Valuation Reports on Lands and Buildings of Rs.127,377,806, the time analysis on the Rates in arrears of Rs.9,605,513, the information regarding the parties that should be charged the arrears in Stall Rent of Rs.6,351,392 and the time analysis regarding 04 deposits balances of Rs.17,385,512 had not been rendered to the audit.

Evidence should be furnished to confirm the balances declared in the financial statements.

Inform that the Subject Officer had been advised to obtain a Valuation Report by a Certified Valuer, to charge the arrears in Stall Rent and to issue a time analysis as soon as possible.

## 1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) <u>Pradeshia Sabha Act No.15 of 1987</u>			
(i) Section 21(2)	Actions had not been taken to recognize the roads belong to the Sabha and publish them in the Gazette.	Actions should be taken according to the Act.	The Roads owned by the Sabha are being recognized therefore actions would be taken to publish them in the Gazette after finishing that task.
(ii) Section 24(1)(b)	A Road Inventory had not been maintained on the Roads and thoroughfares belong to the Sabha.	Actions should be taken according to the Act.	Inform that the Subject Officer had been advised to prepare a Roads Inventory in the year 2020.
(iii) Section 132	A party for approving the Budget for the year 2019 had been had in a private hotel and paid Rs.146,250 by the Sabha Fund.	Actions should be taken according to the Act.	Inform that the approval of the Minister in charges of the Subject had not been obtained and quotations had been called for the prices of food and paid.
(iv) Section 158, 162, 163	Arrears of Rates amounting to Rs. 9,605,513 outstanding as at 31 December of the year under review had not been recovered.	Actions should be taken according to the Act.	Inform that the Subject Officer had been advised to recover the arrears as soon as possible.
(b) <u>Extraordinary Gazette No.1597/8 dated 17 April 2009</u>	Constructions relevant to 124 building plans approved during the years 2014,2015 and 2016, certificates of conformity had not been issued.	The Certificates of Conformity should be issued after the necessary tests on the Constructions.	Inform that the building owners had been informed and to obtain the Certificates of Conformity are being issued.

## **2. Financial Review**

---

### **2.1 Financial Results**

---

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.7,648,306 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,946,000

### **2.2 Revenue Administration**

---

#### **2.2.1 Estimated Revenue, 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	2019				2018			
	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.
(i) Rates and Taxes	10,419,400	8,351,971	4,925,877	3,426,094	8,119,400	8,274,133	4,851,519	3,422,614
(ii) Rent	16,208,600	8,019,092	7,817,362	201,730	14,440,900	11,975,699	11,859,098	116,601
(iii) Licence Fees	951,500	1,682,450	1,682,450	-	967,600	1,374,100	1,374,100	-
(iv) Other Revenue	26,848,232	26,293,678	19,124,918	7,168,760	19,827,100	22,088,007	14,189,350	7,898,657
<b>Total</b>	<b>54,427,732</b>	<b>44,347,191</b>	<b>33,550,607</b>	<b>10,796,584</b>	<b>43,355,000</b>	<b>43,711,939</b>	<b>32,274,067</b>	<b>11,437,872</b>

## 2.2.2 Rates and Taxes

### Audit Observations

### Recommendations

### Comments of the Accounting Officer

#### (a) Rates

(i) Rs.3,426,094 had not been recovered as at 31 December from the billed amount of rates income of Rs.6,210,807 and it had been 55 per cent of the total billed amount.

The Arrears of rates should be recovered.

Inform that the Subject Officer had been advised to recover the rates in arrears as soon as possible and submit a report on that.

(ii) Rs.6,179,419 had not been recovered from the rates income in arrears at the beginning of the year under review of Rs.7,259,127. That amount not recovered had been 85 per cent of the rates in arrears at the beginning of the year under review.

The Arrears of rates should be recovered.

Inform that the Subject Officer had been advised to recover the rates in arrears as soon as possible and submit a report on that.

#### (b) Property Tax in Arrars

Rs.831,828 for the year under review and Rs. 6,413,306 for the year 2017 and 2018 Property Tax for leasing out property owned by the Sabha had not been recovered.

The Arrear in Property Tax should be recovered.

Inform that the Subject Officer had been advised to recover the Property Tax.

## 2.2.3 Court Fines and Stamp Duty

### Audit Observations

### Recommendations

### Comments of the Accounting Officer

Court Fines of Rs.1,338,751 and Stamp Duty of Rs.3,211,992 had not been recovered as at 31 December of the year under review.

The arrears Court Fines and Stamp duty should be recovered.

Inform that the arrears for the year 2019 had been recovered.

### 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, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

(a) **By laws**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

By-laws had not been enacted to complete 07 matters out of 30 main matters under Section 126 of the Pradeshiya Sabha Act as at 31 December of the year under review.

By laws should be enacted for the matters that had not been enacted by laws.

Inform that it had been embraced 23 by laws enacted by the Local Authority Gazette No.1944/22 IV (B) dated on 07 December 2015.

(b) **Action Plan**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

An Action Plan had not been prepared for the year under review therefore the aims that would be attained and the expected activities that would be implemented during the year under review had not been recognized.

An action plan should be prepared for the year under review

An Action Plan for the year 2019 had not been prepared and Inform that the Subject Officer had been advised to prepare an Action Plan for the year 2020.

(c) **Targets of Sustainable Development**

**Audit Observations**

**Recommendations**

**Comments of the Accounting Officer**

The Sabha had not been identified the targets and the indices for measuring the Progress of the Sustainable Development Targets relevant to the Sabha and achieved them, Even though Sabha had been aware of the “Sustainable Development Goals Agenda of United Nations 2030”

Targets of the Sustainable Development and indices to measure the progress of achieving them should be identified and measured.

The indices are being recognized and inform that advices had been given to submit a report on that.

### 3.2 Management Inefficiencies

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
(a) <u>The Accounts Receivable</u> A time analysis on the Arrears in Public Market Rent and the Arrears in Stall Rent totaled to Rs.1,604,560 had not been recovered that had been stated in the Financial Report.	Actions should be taken to recover the arrears.	Inform that the Subject Officer had been advised to identify the parties that should charge the arrears and prepare a time analysis to recover the arrears.
(b) <u>The Accounts Payable</u> The Valued Added Tax Payable amount of Rs.4,319,539 had not been settled from over a year.	Actions should be taken to settle the arrears.	Inform that the Subject Officer had been advised to settle the payable amount.

### 3.3 Human Resources Management

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
18 excesses relevant for 03 posts and 26 vacancies relevant for 13 posts had been remained as at 31 December of the year under review.	The vacancies should be filled and the excess number of employees should be approved.	The excesses had been approved. Inform that the approval had been granted to fill up the vacancies and the appointments had been temporarily canceled by the Letter of the Secretary of the Treasury dated 20 November 2019.

### 3.4 Operating Inefficiencies

<b>Audit Observations</b>	<b>Recommendations</b>	<b>Comments of the Accounting Officer</b>
<u>The Assessed Stall Rent</u> A revenue of Rs.23,542,350 had been lost for the Sabha Fund from 200 stalls given on long term rent by the Sabha as at 31 December of the year under review because the monthly rent assessed by the Uva and Eastern Provincial Chief Valuer had not been charged when charging the rent.	The Assessed Rent should be charged.	Inform that the Subject Officer had been advised to recover the rent in arrears.

### 3.5 Assets Management

#### 3.5.1 Vehicle Utilization

<u>Audit Observations</u>	<u>Recommendations</u>	<u>Comments of the Accounting Officer</u>
<p>(a) <u>Not Acquiring the Legal Possession of Vehicles, Machinery and Equipment</u></p> <p>The legal possession of 06 Vehicle/Machinery had not been acquired from the year 2001 to the year 2016.</p>	<p>Actions should be taken to acquire the legal possession.</p>	<p>Inform that the Subject Officer had been advised to acquire the legal possession.</p>
<p>(b) <u>Not Preparing the Estimates and the Work Completion Reports</u></p> <p>02 machines owned by the Sabha had been run for 718.3 metre hours from 01 January 2019 to 31 August 2019 by consuming fuel of Rs.549,313 and completed 119 Works according to its running charts. But the work completion reports and the estimates for those Works had not been prepared.</p>	<p>The estimates and the Work completion Reports should be prepared</p>	<p>Inform that the Subject Officer had been advised to prepare the estimates and the Work completion Reports.</p>
<p>(c) <u>Preparing the daily running charts</u></p> <p>02 machines/vehicles owned by the Sabha had been run from 18 February 2019 to 31 August by consuming 5715 Liters of fuel of Rs.608,162. But the running charts had not been made for that time.</p>	<p>The running charts should be prepared</p>	<p>Inform that the Subject Officer had been advised to take actions to prepare the running charts and render them for the audit.</p>
<p>(d) 02 Vehicles owned by the Sabha had been disposed by the use of 04 and 13 years respectively but actions had not been taken to dispose them under the regulations of the State Finance Circular No.02/2015 on 10 July 2015.</p>	<p>The vehicles should be disposed after they had used under the regulations of the circular.</p>	<p>Inform that the Subject Officer had been advised to take actions under the regulations of the circular.</p>

#### **4. Accountability and Good Governance**

---

##### **4.1 Internal Audit**

---

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Sabha had not been carried out a proper Internal Audit for the year under review.	A proper Internal Audit should be carried out.	Inform that an internal auditor had been appointed in the year 2019 and further actions are being taken.

##### **4.2 Audit and Management Committee**

---

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Audit and Management Committee had not been held for the year under review.	Audit and Management Committee should be held in the Sabha.	Inform that one Audit and Management Committee had been held in the year January 2020 and actions would be taken accordingly.