

**Katuwana Pradeshiya Sabha
Hambantota District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 28 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 11 June 2020 and 30 June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the 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 Katuwana Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year there ended in accordance with generally accepted accounting principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit observation	Recommendation	Comments of the Accounting Officer
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(i) Work creditors had been overstated in the accounts by Rs. 4,854,827 as at end of the year under review.	Liabilities should be correctly entered in the accounts.	Action will be taken to rectify in the accounts for 2020.
(ii) The value of 4 projects aggregating Rs. 2,230,859 implemented during the previous year and the year under review had not been capitalized.	Assets should be correctly entered in the accounts.	Two buildings of the preparatory schools are not assets of the Sabha and as such the development expenditure had not been capitalized. The expenditure of the remaining 2 projects will be capitalized in future.
(iii) Four lands, a tractor, 2 tractor trailers and 3 water bowsers of the sabha had not been assessed and accounted as assets.	Assets should be assessed and brought to account.	Action will be taken to obtain assessment reports and enter them in accounts accordingly with regard to land, tractor trailers and 3

water bowsers. The long trailer and tractor trailer will be assessed and brought to account after acquiring them.

1.4 Non - compliances

1.4.1 Non – compliance with Laws, Rules, Regulations and Management Decisions

	Reference to Laws, Rules, Regulations and Management Decisions	Non compliance	Recommendation	Comments of the Accounting Officer
(a)	1988 Pradeshiya Sabha (Finance and Administration) Rule 193	A statement showing the causes for surpluses and deficits relating to items of revenue and expenditure had not been prepared along with the budget.	Action should be taken in terms of the rules.	Will be furnished in detail from 2020
(b)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
(i)	FR 134(3)	The internal audit report of the year under review had not been furnished for audit.	Action should be taken according to the financial regulation	Action will be taken to furnish in future
(ii)	FR 571(3)	Action had not been taken to settle deposits of Rs. 133,881 over 2 years.	Action should be taken according to the financial regulation	Reminders had been sent to depositors. Unclaimed deposits will be credited to revenue in 2020.
(iii)	FR 702(3)	Copies of agreements of contracts had not been furnished the Auditor General.	Action should be taken according to the finance regulation	Action will be taken to present in future
(iv)	F.RR 1645(b), (c) and 1646	Daily running charts and monthly performance summaries of 18 vehicles of the Sabha had not been furnished to the Auditor General.	Action should be taken according to the financial regulation	Action will be taken to furnish without delay in future.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.11,709,899 as compared with the revenue over expenditure of the preceding year amounting to Rs. 19,982,789.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue billed, Revenue collected and the Arrears of Revenue

The 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	1,024,000	1,281,930	1,280,940	3,010	902,200	1,088,533	1,086,703	2,020
(ii) Rentals	15,379,000	14,604,499	14,288,470	1,789,867	11,462,100	12,646,360	12,722,807	1,481,747
(iii) Licence Fees	758,100	1,728,657	1,456,157	401,450	724,050	1,217,419	1,218,119	48,950
(iv) Other Revenue	25,928,150	33,478,198	25,528,311	50,354,719	17,508,800	31,958,936	21,467,516	43,245,392
	43,089,250	51,093,284	42,553,878	52,549,046	30,597,150	46,911,248	36,495,145	44,778,109

2.2.2 Rates and Taxes

Audit observation

The Pradeshiya Sabha had identified 08 wards as developed areas during 2014. But, action had not been taken to gazette the rates and taxes and make recoveries accordingly.

Recommendation

Action should be taken to recover rates and taxes according to the provisions in the Act.

Comments of the Accounting Officer

A survey is being made for levying rates and taxes and to issue gazette notifications.

2.2.3 Rent

Audit observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to recover stall rent of Rs. 377,400 due from 21 stalls of the Sabha as at end of the year under review.	Action should be taken to recover arrears of revenue from stall rent.	Out to the arrears, Rs. 115,550 had been recovered. Action is being taken to recover the remaining arrears of Rs. 261,850.
(b) Out of the vehicle hire of Rs. 1,298,957 receivable as at end of the year under review, a sum of Rs. 913,307 receivable was over 5 years.	Action should be taken to recover arrears of revenue due on rent.	Authority to write off Rs. 368,436 of the arrears had been referred to the Governor. Action will be taken to recover the arrears.
(c) Action had not been taken to recover Rs. 106,750 due on lease of the Middeniya car park	Action should be taken to recover arrears of revenue due on rent.	Of these arrears relating to 2017, the arrears had become Rs. 90,750 after deducting the security deposits. Legal action had been taken for recovery.

2.2.4 Licence Fees and Hoarding Charges

Audit observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover the hoarding charges of Rs. 373,250 receivable as at end of the year under review and the trade licence fees of Rs. 28,200 receivable for the previous year.	Action should be taken to recover arrears of licence fees.	Out of the arrears of hoarding charges, Rs. 149,500 had been recovered. Out of the arrears of trade licences, Rs. 13,150 had to be written off due to closure of the business and this had been referred to the Governor. Action will be taken to recover the balance.

2.2.5 Court Fines and Stamp fees

Audit observation	Recommendation	Comments of the Accounting Officer
The court fines and the stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at end of the year under review amounted to Rs. 1,955,283 and Rs. 42,423,866 respectively.	Arrears of stamp fees and court fines should be referred to the Chief Secretary for recovery.	Out of the stamp fees receivable, Rs. 3,500,000 had been recovered. Requests had been made from relevant institutions for the arrears of court fines and stamp fees.

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, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Although bye-laws were required to be enacted to fulfil 30 main functions in terms of Section 126 of the Pradeshiya Sabha Act, bye-laws had been prepared for 29 functions only by end of the year under review.	Action should be taken to enact bye-laws	Twenty bye-laws relating to the Southern Province had been followed and 37 th bye-laws of the Gazette Extraordinary No. 520/7 of 23.08.1988 had been followed for publicity boards.

(b) Non – achievement of the expected Target

Audit Observation	Recommendation	Comments of the Accounting Officer
Instead of executing 42 projects valued at Rs. 5,618,533 for which	Attention should be paid to fulfil	Capital projects not included in the budget had

provision had been made in the budget of the year under review, Rs. 1,921,115 had been spent to implement 8 projects for which provision had not been made.

development proposals included in the budget.

been executed due to the occasional needs.

(c) Fulfilment of sustainable Development

Audit Observation

The Sabha had not prepared long term plans to uplift the living standards and health of the public of the authoritative area of the Sabha through the global index relating to sustainable development as per 2030 Agenda relating to Sustainable Development.

Recommendation

An index to measure sustainable development objectives and targets should be identified and the progress in achievement of targets should be annually measured accordingly.

Comments of the Accounting Officer

long term plan had not been prepared in the four year plan. A four year plan will be prepared to ensure the sustainable development targets.

3.2 Management Inefficiencies

Audit Observation

(a) Action had not been taken to utilize the excess monthly average total balance of Rs. 3,995,221 lying in 5 current accounts of the Sabha.

Recommendation

Action should be taken to invest the excess cash in current accounts.

Comments of the Accounting Officer

The cash balance is due to the necessity of making daily payments to employees, to pay the bills relating to work completed and due to the difficulties in obtaining cash on one occasion itself.

(b) Action had not been taken to recover the key money of Rs. 8,745,000 receivable on behalf of 5 stalls during the previous years.

Action should be taken to recover the arrears.

Cases had been filed for Rs. 200,000 receivable. Recovery of balance of arrears had been referred to the conciliation board.

3.3. Human Resources Management

(a) Vacancies and Excesses in the Cadre

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Action had not been taken to fill 7 vacancies in the approved cadre and to regularize 26 excesses.	Action should be taken to regularize the excess cadre and to fill vacancies in posts.	One vacancy had been filled. Action will be taken to fill the remaining vacancies.
(ii) Annual performance agreements had not been signed for the overall staff in terms of Annexure 01 of the Public Administration Circular No. 02/2018 of 24 January 2018 and a human resource plan for the year under review had not been prepared as per Annexure 02.	Action should be taken to prepare the relevant agreements and plan according to the provisions in the circular.	Performance agreements and human resources plan will be prepared in future.

(b) Employees' Loans

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to recover balances of Rs. 1,600,289 due from 11 officers as at end of the year under review.	Action should be taken to recover employees' loans	Out of the balances recoverable, festival advances amounting to Rs. 25,000, special advances amounting to Rs. 8,000 and distress loans amounting to Rs. 1,542,689 had been recovered.

3.4 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
The validity period of agreement signed for hire of 09 stalls at the Middeniya Super Market to the People's Bank had expired during the previous year. However, the rent for the	Action should be taken to renew agreements after the period of expiry.	Action will be taken to enter into agreements under suitable conditions.

new agreement signed in this regard had not been revised. As a result, the revenue due to the Sabha had been deprived of

3.5 Assets Management

3.5.1 Maintenance of / repairs to vehicles

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to repair / dispose of 03 vehicles of the Sabha lying unused for a long period.	Action should be taken to repair / dispose of assets	Further action will be taken by obtaining the recommendation of the Mechanical Engineer.

3.5.2 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken by the Sabha even by 31 December of the year under review to acquire legal ownership of 04 vehicles and 57 crematoriums of the Sabha.	The Sabha should take action to acquire legal ownership of vehicles.	Ownership of one vehicle had been acquired. Action will be taken to acquire ownership of the remaining vehicles and land.

3.5.3 Idle / Under utilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The Katuwana Week end Fair building valued at Rs. 9,984,179 had been handed over to the Sabha in 2015. This remained idle for 5 years along with the Kirana bus stand stalls till end of the year under review.	Action should be taken to utilize assets of the Sabha.	The building at the fair had not been opened due to lack of water and delay in laying block stones. Letters are being prepared to assess stalls at the bus stand.