

**Kirinda Puhulwella Pradeshiya Sabha**

**Matara District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented for audit on 29 March 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 25 May 2019 and 31 May 2019 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 Kirinda Puhulwella Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**

**(a) Accounting Deficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) The capital aid of Rs.918,326 receivable as at end of the year under review had not been brought to account.	Capital aid receivable should be correctly brought to account.	Will be rectified in the financial statements of 2019.
(ii) Provision for loan creditors had not been made for expenditure on work amounting to Rs.110,030 payable as at end of the year under review.	Provision for creditors should be correctly identified and brought to account.	Will be rectified in the financial statements of 2019.
(iii) Land valued at Rs.300,000 and buildings valued at Rs.813,523 of the Sabha as at end of the year under review had not been brought to account.	Fixed assets should be correctly brought to account.	Will be rectified in the financial statements of 2019.

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| (iv) The difference between the register of stamp fees and the arrears of stamp fees ledger account as at end of the year under review amounting to Rs.1,399,018 had been brought to account as stamp fees receivable for the previous years without being identified. | Revenue from Stamp fees should be correctly brought to account. | Will be rectified in the financial statements of 2019. |
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**(b) Unreconciled Control Accounts**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
A difference of Rs.1,693,537 was observed between the balance of 08 accounts aggregating Rs.8,901,952 as appearing in the financial statements and the related subsidiary register/schedules.	Action should be taken to reconcile the relevant balances and rectify the accounts.	These differences had occurred due to differences in balances existing between the subsidiary registers and the accounts since 2006 Action will be taken to rectify in ensuing years.

**(c) Lack of Necessary Documentary Evidence for Audit**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
Two items of accounts aggregating Rs.41,491,980 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm the balances shown in the financial statements should be furnished.	Title deeds and a register for acquirement will be maintained and action will be taken in future to examine the register and make necessary corrections.

**1.4 Non-Compliance**  
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**1.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions**  
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Instances of non-compliance with laws, rules, regulations and management decisions appear below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Non-compliance</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) 1988 Pradeshiya Saba (Finance and Administration) Rule 193	The actual expenditure of objects had not been reconciled with the budgeted and the supplementary expenditure and a statement showing surpluses and deficits had not been furnished.	Action should be taken according to the rules.	Action will be taken in future
(b) Letter No. 433/15 of 19 March 2007 of the Southern Commissioner of Local Government	Nine recommendations of the board of survey of land and buildings of 2007 had not been implemented.	Action should be taken according to the letter of instructions.	Immediate action will be taken in this regard.
(c) Circular No.PE/01/01 of 17 August 2010 of the Ministry of Power and Energy.	Street lamps had not been installed according to the circular. As such, the Sabha had to incur an expenditure of Rs.472,415 from its funds.	Action should be taken according to the circular.	Electricity Board had been requested to approve the street lamps already installed. Replies had not been received.

## **2. Financial Review** -----

### **2.1 Financial Results** -----

According to the financial statements presented, the excess of expenditure over recurrent revenue of the Sabha for the year ended 31 December amounted to Rs.112,566 as against the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.4,270,045.

## 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	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
Rates and Taxes	1,163,483	1,170,105	1,325,754	546,711	1,036,500	1,364,486	1,228,368	702,360
Rent	3,694,250	2,328,555	2,561,282	1,137,035	2,841,900	4,834,421	4,700,800	1,369,762
Licence Fees	142,250	127,685	154,910	97,675	135,250	145,412	145,412	124,900
Other Revenue	31,470,680	27,863,514	21,505,934	11,471,504	27,740,000	27,231,041	28,991,239	5,113,924
Total	36,470,663	31,489,859	25,547,880	13,252,925	31,753,650	33,575,360	35,065,819	7,310,946

## 2.2.2 Rates and Taxes

### (a) Rates

#### Audit Observation

The arrears at the commencement amounting to Rs.470,759 added to the billings of Rs.463,881 has resulted in receivables amounting to Rs.934,640. The recoveries during the year amounted Rs.503,788 only. As a result, an extensive arrears of Rs.430,852 resulted as at end of the year. The recovery from arrears due at the commencement was at a low level of 48.1 per cent,

#### Recommendation

Recovery of arrears of revenue from rates and taxes should be intensified.

#### Comments of the Accounting officer

Action is being taken to initiate legal action against defaulters of rates and tax payers.

### (b) Acreage Tax

#### Audit Observation

The arrears at the commencement amounted to Rs.110,366 and the billings amounted to Rs.12,364. The total recoveries during the year amounted to Rs.6,871 resulting in an arrears of Rs.115,859 as at end of the year. Recoveries from billings of the year and from arrears at the commencement were at a low level of 15.2 and 4.5 per cent respectively.

#### Recommendation

Recovery of arrears of acreage tax should be intensified.

#### Comments of the Accounting Officer

Defaulters of acreage tax will be informed by letters and particulars will be corrected by carrying out field inspections. Necessary action would be taken to recover these arrears in future.

### 2.2.3 Court Fines and Stamp Fees

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Court fines of Rs.370,334 and stamp fees of Rs.11,074,390 were receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities.	----- Recovery of court fines and stamp fees should be intensified.	----- Out of the stamp fees receivable, a sum of Rs.1,000,000 had already been received.

### 3. Operating Review

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#### 3.1 Performance

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##### 3.1.1 Sustainable Development Target

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting officer</b>
----- The Sabha had not prepared a long term plan to uplift the living standards and health of the public of the authoritative area of the Sabha by the global indicators referred to in the 2030 Agenda of the Sustainable Development relating to sustainable development objectives and targets.	----- Programmes should be prepared and implemented to achieve objectives and targets of sustainable development.	----- Provision had been made in the budgets for 2018 and 2019. A sum of Rs.25,988 had been spent in 2018.

#### 3.2 Management Inefficiencies

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- (a) The National Building Research Organization had recommended by its letter No.NBRO/LR/2MD/LIMIT 2016/31-1960 of 13 January 2016 that the heap of soil behind the Kiirinda Puhulwella Pradeshiya	----- Recommendations should be implemented soon.	----- Financial and technical assistance had been requested to implement the recommendation. Loan to purchase an identified 7 acres and 3 roods of land

Sabha may result in an earth slip. Accordingly, it had been recommended to adjust the soil by cutting the sliding portion of the soil. However, the work concerned had not been done even by 10 April 2019.

had been requested from the Governor as an alternative measure.

- (b) Action had not been taken to acquire ownership and value of 03 perches of land where Puhuwella tank had been situated and to regularize the land vested with the Sabha in 2014.

Should be properly acquired.

Immediate necessary action is being taken in this regard.

**3.3 Human Resources Development**  
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**Audit Observation**  
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**Recommendation**  
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**Comments of the Accounting Officer**  
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- (i) Action had not been taken even by end of the year under review to fill 02 vacancies in the approved cadre and to regularize 06 excesses.

Vacancies in the cadre should be filled and excesses should be regularized.

Vacancy of the technical officer had already been filled. The Hon, Governor had verbally informed that the rest of the cadre will be approved.

- (ii) The matter relating to the matron of a preparatory school which does not belong to the approved cadre had not been referred to the Director of Management Services as per instructions in the Public Administration Circular No.25/2014 of 12 December 2014 so as to update the staff.

Action should be taken according to the circular.

Approval for the matron of the preparatory school was referred to the Department of Management Services. But, approval had not been obtained. This had been referred to the Department of Local Government.

### 3.4 Uneconomic Transactions

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Approval had been granted for expenditure of primary maintenance of machinery under the National Programme for strengthening of Pradeshiyas in 2017. Of this amount, 32 tyres valued at Rs.893,400 had been purchased. As a result of purchasing without identifying the necessity, 26 tyres valued at Rs.784,500 remained stored in the Sabha even by 10 April 2019.	----- Purchases should be made when needed.	----- The usage became minimum as a result of vehicles leaving the projects in 2018. Significant number of tyres purchased had been used and the rest had been safely kept in the stores for future usage.

### 3.5 Idle and Under Utilized Assets

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Land with an extent of 01 acre, 05 roods and 15.37 perches belonging to the Sabha remained idle. Action had not been taken to demarcate boundaries and safeguard 17 blocks of land of 03 acres 01 rood and 1.1 perches.	Should be beneficially used.	Action is being taken to call for tenders to offer 17 blocks of land for growing short term crops.
(b) A sum of Rs.206,346 remained idle in 02 current accounts of the People's Bank. These accounts remained dormant for about 02 years.	Idle money should be beneficially utilized.	Requests had been made to the Assistant Commissioner of Local Government to close the dormant accounts.



#### 4. Accountability and Good Governance

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##### 4.1 Budgetary Control

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Savings in 06 objects aggregated Rs.4,175,786, ranging from 08 to 40.5 per cent.	Feasible annual estimates should be prepared.	Action will be taken to prepare estimates for the future year to minimize variations in items of expenditure.
(b) Targets not achieved in 04 items of revenue aggregated Rs.5,264,661 ranging from 3.9 to 37 per cent.	Feasible annual estimates should be prepared.	Action will be taken to prepare estimates for the future year to minimize variations in items of revenue.

##### 4.2 Internal Audit

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<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Adequate internal audit had not been the Internal Audit Programme in terms of Financial Regulation 134. Meanwhile, copies of internal audit reports had not been furnished to the Auditor General.	Action should be taken according to the Financial Regulations and circulars.	Action will be taken to conduct monthly internal audits according to an internal audit plan better than before and to furnish monthly internal audit reports to the Auditor General.