

Pitabeddara 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 26 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 27 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 Pitabeddara 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

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Provision had not been made for expenditure payable as at end of the year under review amounting to Rs.111,300.	Should be correctly accounted for.	Provision for creditors amounting to Rs.50,000 had been made for development of Kaduruwana Batagoda Road and a sum of Rs.48,300 had been paid for this work on 21 February 2019.
(ii) The expenditure of Rs.267,036 incurred on fencing the Morawaka Week end Fair land with nets had not been capitalized	Should be correctly accounted for	Will be rectified in future.
(iii) A sum of Rs.25,000 relating to the development of Denagama Kanda Bogahawaththa Road and a sum of Rs.68,025	Should be correctly accounted for	Payments for work executed under direct labour basis are subjected to changes. Provision saved will be credited to the General Fund.

relating to 04 works executed under direct labour basis had been overstated under creditors

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting officer
The balances of 09 items of accounts aggregating Rs.69,511,567 as appearing in the financial statements and the related balances as per subsidiary registers/ schedules differed by a total amounting to Rs.38,507,984	Action should be taken to reconcile differences of balances so as to rectify the accounts.	The respective differences in balances will be rectified in future

(c) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Five items of accounts aggregating Rs.2,073,466 could not be satisfactorily vouched in audit due to non rendition of necessary information.	Evidence to confirm balances of accounts shown in the financial statements should be furnished.	These are values that continues since 2008. Schedules including information in this connection had also been not maintained.

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken to settle 10 balances of deposits over 03 years.	Action should be taken in terms of the Financial Regulation.	Action will be taken in future to credit deposits to revenue.

(b) Paragraph 05 of the Circular No.දපපා/පපාකො/2010/1 of the Southern Commissioner of Local Government	Action had not been taken to update agreements of 40 stalls of the Sabha every 03 years.	Action should be taken in terms of the circular.	Action will be taken in future to update all agreements.
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2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.8,098,366 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.5.503.867.

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	1,453,750	1,468,827	780,892	953,376	1,158,750	1,452,395	1,444,348	265,441
Rent	4,981,000	11,176,728	11,199,626	1,639,560	4,448,000	5,715,998	5,256,984	1,662,458
Licence Fees	263,100	387,178	379,178	78,522	305,100	312,923	312,923	70,522
Other Revenue	11,915,500	9,204,520	9,025,283	16,593,834	10,821,000	12,134,615	9,376,183	16,414,597
Total	18,613,350	22,237,253	21,384,979	19,265,292	16,732,850	19,615,931	16,390,438	18,413,018

2.2.2 Performance in collection of Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>The estimated revenue of the year under review amounted to Rs.18,613,350. The arrears at the commencement of the year under review amounting to Rs.18,413,018 and the billings amounting to Rs.22,237,253 resulted in recoverables amounting to Rs.40,650,271. Rs.21,384,979 only had been totally recovered during the year and as such the arrears recoverable as at 31 December of the year under review amounted to Rs.19,265,292. The percentage of recovery was 53 per cent.</p>	<p>-----</p> <p>Recovery of arrears of revenue should be intensified.</p>	<p>-----</p> <p>Audit observation accepted.</p>

2.2.3 Rates and Taxes

(a) Rates

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>-----</p> <p>Ten Grama Sevaka Areas belonging to the authoritative areas of Sabha had been declared as improved areas by the Gazette Notification No. 1824 of 28 February 2010. However, the Saba had not commenced recovery of rates from 2010 to end of the year under review.</p>	<p>-----</p> <p>The work relating to recovery of rates should be intensified.</p>	<p>-----</p> <p>A zone had been identified for rates and taxes for recovery of rates and taxes and had been referred to the Assistant Commissioner of Labour for approval.</p>

(b) Acreage Tax

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The balance of acreage tax at the commencement amounting to Rs.264,039 added to the billings of the year amounting to Rs.31,943 had resulted in recoverables amounting to Rs.295,982. The total recoveries during the year under review amounted to Rs.30,412 and as such the arrears as at end of the year amounted to Rs.265,570. The percentage of recovery was 10.	Recovery of arrears of revenue should be intensified.	Action had been taken to recover arrears.

2.2.4 Rent

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) The arrears at the commencement amounting to Rs.818,761 added to the billings of the year amounting to Rs.1,759,100 had resulted in recoverables amounting to Rs.2577,861. The total recoveries amounted to Rs.1,635,612 and as such the balances of arrears as at end of the year amounted to Rs.942,249. The percentage of recovery was 63 per cent.	Recovery of arrears of revenue should be intensified.	Action is being taken to institute legal action against the remaining tax payers based on the report of the Conciliation Board.
(ii) Revenue receivable from rent of stalls as at end of the year under review amounting to Rs.942,249 included a balance of Rs.169,636 over 03 years. Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act to recover the arrears of revenue.	Recovery of arrears of revenue should be intensified.	Action will be taken to acquire stalls in future.

2.2.5 Licence Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs.531,964 had not been recovered as fees from 200 notice boards exhibited within the authoritative area during the year under review.	Recovery of arrears of revenue should be intensified	A sum of Rs.63,575 had already been recovered as notice board fees. Action is being taken to recover the remaining amount.

2.2.6 Other Revenue

Water Charges

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) The revenue from water charges receivable aggregating Rs.1,186,705 as at end of the year under review included a balance of Rs.572,778 over 03 years.	Recovery of arrears of revenue should be intensified	This water project remains inoperative for many years. The arrears cannot be recovered. Action is being taken to write off the arrears.
(ii) The balance at the commencement amounting to Rs.958,393 added to the billings of the year amounting to Rs.1,103,075 had resulted in recoverables amounting to Rs.2,061,468. The total recoveries amounted to Rs.879,070 and as such the balance of arrears amounted to Rs.1,182,398. The percentage of recovery was 43.	Recovery of arrears of revenue should be intensified	Inclusion of long outstanding balances in these arrears and the higher value of billings for December 2018 had attributed to this.
(iii) Action had not been taken to recover Rs.44,917 from 15 consumers whose supply of water had been disconnected during the year under review.	Recovery of arrears of revenue should be intensified	This water project is not in existence since 2014. Supply of water had been discontinued for a long time and as such recoveries could not be made. Necessary action will be taken to write off the arrears of revenue in future

2.2.7 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Court fines of Rs.1,078,522 and stamp fees of Rs.14,328,608 were due from the Secretary of the Provincial Council and other authorities as at end of the year under review.</p>	<p>Recovery of arrears of fines and fees should be intensified</p>	<p>Arrears of stamp fees as at end of the year under review amounting to Rs.3,184,770 had been recovered by 05 February 2019.</p>

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.,

Sustainable Development Target

Audit Observation	Recommendation	Comments of the Accounting officer
<p>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.</p>	<p>Programme to achieve sustainable development objectives and targets should be prepared and implemented.</p>	<p>While administering the health, public utility services and public highways, offices, preparatory schools and libraries had been established so that the entire public could be collectively benefitted. Development activities are being done by utilizing the machines of the Sabha to cover the entire rural roads of the authoritative area. Tree planting programmes etc., had been carried out so as cover all the areas.</p>

3.2 Human Resources Management

Vacancies and Excesses in the Cadre

Audit Observation

Action had not been taken even by end of the year under review to fill 09 vacancies in the approved cadre and to regularize 07 excess staff.

Recommendation

Action should be taken to fill vacancies and to regularize the excess cadre

Comments of the Accounting Officer

Approval to regularize 05 primary grade vacancies had been referred to the Chief Secretary's Office.

3.3 Operating Inefficiencies

Audit Observation

The Pitabeddara Old market had been removed and 14 stalls had been constructed by spending Rs.23,968,124 under the Pura Neguma Project. These 14 stalls had been given to old lessees but 04 of them had not paid the upfront payment of Rs.350,000. action had not been taken to transfer the ownership according to the agreement.

Recommendation

Action should be taken to recover the outstanding amount promptly.

Comments of the Accounting Officer

Prompt action will be taken to recover the outstanding amount in future.

3.4 Assets Management

3.4.1 Idle/Under utilized Assets

Audit Observation

Latrines constructed at the Pitabeddara Fair premises in 2016 by the Pura Neguma Project by spending Rs.4,124,487 remained idle without earning revenue.

Recommendation

Maximum utilization of the properties of the Sabha should be obtained.

Comments of the Accounting Officer

The number of persons utilizing the latrines daily is less and as such tenders had not been called for. The Sabha treats this as a public utility service.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Savings in 07 objects amounted to Rs.4,881,604, which ranged from 06 per cent to 78 per cent.	Feasible estimates should be prepared	Savings in objects were due to various reasons
(b) Targets not achieved in respect of 03 items of revenue aggregated Rs.4,493,755 which ranged from 04 per cent to 30 per cent.	Feasible estimates should be prepared.	Revenue expected had not been properly obtained.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting officer
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Adequate internal audit had not been carried out in terms of provisions in Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Circular No. දපපා/සම/01/න.ව.ලේ of 24 February 2014 of the Southern Commissioner of Local Government.	Action should be taken in terms of the Financial Regulations and Circulars.	In addition to the duties of internal audit, duties such as preparation of annual budget, preparation of annual final accounts, checking of vouchers and attending to audit queries too had been assigned.