

RaththotaPradeshiyaSabha  
Mathale District  
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1 Financial Statements  
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1.1 Presentation of the Financial Statements  
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The financial statements of the year 2018 had been presented to the audit on the 29 March 2019 and the summary report of the Auditor General and the detailed management report regarding the financial statements had been presented to the Chairman on 31 May 2019.

1.2 The Qualified Opinion  
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I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Raththota Pradeshiya Sabha as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The Basis for a Qualified Opinion  
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Accounting Deficiencies  
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Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) Furniture and fittings worth of Rs.418, 068 which had purchased in the year under review had not been accounted.	It should be capitalized.	Accept. It will be corrected by the final account of the year 2019.
(b) It had not been capitalized the value of 15 projects amounting to Rs.4, 763,691 which had implemented in the years 2017 and 2018.	It should be accounted the value under the buildings.	Accept. It will be corrected by the final account of the year 2019.
(c) It had been absent physically the 05 buildings worth of Rs.277, 559 which had stated in the financial statements.	Actions must be taken regarding the assets which could not remain physically.	Accept. It will be corrected by the final account of the year 2019.
(d) It had been understated the value of Rs. 492,910 which had spent for building of Kuruwawa waste separation.	It should be accounted.	Accept. It will be corrected by the final account of the year 2019.

(e) Furniture's and fittings worth of Rs. 975,000 which had purchased for the Kuruwawa children' Park on 30 December 2014 had not been accounted.	It should be accounted the fixed assets.	Accept. It will be corrected by the final account of the year 2019.
(f) The store creditors' balance had been overstated by an amount of Rs.9, 647,470.	The accounts should be corrected.	Accept. It will be corrected by the final account of the year 2019.
(g) The stamp fees of the year under review and the receivable stamp fees had been over accounted by an amount of Rs.179, 802.	The accounts should be corrected.	Accept. It will be corrected by the final account of the year 2019.
(h) The common stores balance of the year under review had been under stated by an amount of Rs.56, 243.	The accounts should be corrected.	Accept. It will be corrected by the final account of the year 2019.

### 1.3.2 Non reconciled control accounts

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Audit observation

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Recommendation

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Accounting Officer's  
Commentary

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It had been observed a difference of Rs. 1,190,774 when compare the total amount of Rs. 19,654,902of 07 accounts subject stated in the financial statements with their relevant schedules supporting documents.

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Actions should be taken to correct the accounts by comparing the differences of the balances.

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Accept. It will be corrected by the final account of the year 2019.

### 1.3.3 Suspense Account

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Audit observation

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Recommendation

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Accounting Officer's  
Commentary

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Actions had not been taken to settle the balance of suspense account which had been continued from the year 1997 without any changing.

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The suspense account should be settled by making necessary adjustments in the accounts.

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Accept.

### 1.3.4 Accounts Receivable and Accounts Payable

#### (a) Accounts Receivable

Audit observation	Recommendation	Accounting Officer's Commentary
The receivable balances that had elapsed 05 years amounting to Rs. .14,467,019	Actions should be taken to collect the receivable balances.	Accept.

#### (b) Accounts Payable

Audit observation	Recommendation	Accounting Officer's Commentary
The payable balances that had elapsed 05 years amounting to Rs.6,744,609	Actions should be taken to settlement the payable balances.	Accept.

### 1.3.5 Lack of written evidence required for the audit

Audit observation	Recommendation	Accounting Officer's Commentary
08 accounting subject worth of Rs. 202,427,244 had not been vouched satisfactorily in audit due to non submission of the audit evidence to the audit.	Documents should be updated, and submitted, Balance Verification and Survey Board reports.	Accepted

### 1. 4 Non-compliance

#### 1.4.1 Non-compliance with laws, rules, regulations and management decisions

References To laws, rules ,regulations and management decisions	Non-compliance	Recommendation	Accounting Officer's Commentary
(a) Article 24 of PradeshiyaSabha	Road inventory with a list of roads	It should be maintained a road	It is planned to carry out road surveys and road

- Act No 15 of 1987 and narrow streets was not maintained. inventory by preparing promptly. mapping, road demarcation and preparation of relevant plans.
- (b) Pradeshiya Sabha (Financial and Administrative) Rules 218 All lands and buildings owned by the Sabha have not been surveyed every year. Land and Building Survey should be conducted. Since the relevant documents had not been updated at the time of the asset issue, it was not possible to carry out a fixed asset inspection. Since an inspection board has been appointed for this purpose, it had started inspection of all lands and buildings.

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, excess of income over recurrent expenditure for the year ending 31 December 2018 amounted to Rs.15,204,547 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs..9,638,851.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed amount of Revenue, collected Revenue and outstanding Revenue

Details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for the year under review and for the previous year are as follows.

Source of revenue	2018				2017			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>	Estimated Revenue	Billed amount of revenue	Revenue collected	Total arrears as of December 31 <sup>st</sup>
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates Taxes	9,528,832	9,594,613	9,506,423	9,390,459	8,012,000	9,291,442	7,728,989	9,421,822
Rent	3,024,580	2,815,531	2,646,529	1,402,757	2,220,000	2,524,800	2,051,685	1,233,756
Licences fees	750,000	902,625	902,625	-	900,000	992,460	992,460	-
Other Revenue	12,090,678	-	4,634,022	-	4,943,000	-	5,715,639	-
<b>Total</b>	<b>25,394,090</b>	<b>13,312,769</b>	<b>17,689,599</b>	<b>10,793,216</b>	<b>16,075,000</b>	<b>12,808,702</b>	<b>16,488,773</b>	<b>10,655,578</b>

## 2.2.2 Rates and Taxes

Audit observation	Recommendation	Accounting Officer's Commentary
While the arrears rates was amounting to Rs.1,219,752 as at 31 December of the year under review the arrears should to be received from the government entities was amounting to Rs.151, 201.	Action should be taken in accordance with the circular instructions of the Commissioner of Local Government 2015/08.	It had been presented for approval of the Minister to write off the amount of Rs.136,492 belonging to the 11 entities. it had been recovered an amount of Rs.8,401 which belongs to the 08 entities.

## 2.2.3 Acreage tax

Audit observation	Recommendation	Accounting Officer's Commentary
The arrears acreage tax was amounting to Rs. 392,180as at the end of the year under review.	Actions should be taken to collect the taxes by conducting a survey and regarding the acreage taxes and updating the documents.	according to section 134 (3) of the PradeshियाSabha act, the acreage tax is not subject to gazette notification for levying of acre tax in the pradeshiasabha and the property listed in the list is less than 5 hectares. Therefore, an investigation is being carried out regarding this property.

#### 2.2.4 Water Charges

Audit observation	Recommendation	Accounting Officer's Commentary
The arrears water charges as at 31 December of the year under review was amounting to Rs. 7,778,168.	Actions should be taken to collect the arrears balances.	Accepted

#### 2.2.5 Shop Rent

Audit observation	Recommendation	Accounting Officer's Commentary
(a) While the arrears shop rent of Rs.1,402,757 was not collecting as at 31 December of the year under review this balance was included with a balance which regard to the time of more than one year amounting to Rs.634,623.	The arrears shop rent should be recovered immediately.	Accept
(b) The rent of 91stalls had not been revised every five years according to paragraph ) 5i) of the circular no.03/2016 of Leasing of Market stalls of the Central Provincial Local Government Commissioner dated 17 March 2016.	Obtaining Assessment Reports and Follow up.	Although valuation officers have obtained information regarding the shops located at TD JayaratneMawatha, RanjanWijeratneMawatha, Nikolaya Road Weekly Market and Nikoloya Road New Market Complex, the valuation reports had not been provided to us.
(c) An amount of Rs.200, 000 which should to be received from the lowest bid of Rs.300,000 for the 26 stall situated in the upper floor of the women shopping mall had not been received until the end of the year under review.	Actions should be taken in according to the agreements.	The stalls had been rent out to the taxpayers on the basis of early payments of the Rs. 100,000 and the later payments of remainder amount of Rs.200,000, The Chairman has been notified in writing to the chairman of SANASA by the letter dated 22

March 2007 as deposit an amount of Rs.100,00. Accordingly, the letter dated 21st March 2019 has sought the assistance of the Assistant Commissioner of Local Government for further proceedings.