

**Kahatagasdigiliya Pradeshiya Sabha  
Anuradhapura District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented to the Audit 01 April 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 06 June 2019 and the detailed management audit report had been submitted on 14 June 2019.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Kahatagasdigiliya 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**

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**(a) Accounting Deficiencies**

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The amount of stamp duty payable to the Pradeshiya Sabha for the years 2016,2017,2018 has not been identified and accounted for.	Revenue for the financial year should be accurately stated in the documents and accounts.	The value of stamp duty receivable for the year 2016, 2017 and 2018 has been obtained by the Land Registry Office. Accordingly, action will be taken to correctly account for the year 2019.
(ii) Audit fees amounting to Rs. 125,580 paid in the year under review in respect of the year 2017, had been recorded as an expenditure for the year under review and no provisions had been made for the audit fees for the year under review.	Provisions for all expenditures relating to the financial year shall be made. Expenditure on previous years should be properly adjusted in the accounts.	Action will be taken to make corrections

(iii) In the payment of balance of the sundry creditors as at 01 January 2018 amounted to Rs.190,142 during the year under review, it had been stated as recurrent expenditure of the year 2018.	Payments for the settlement of liabilities and expenses should be properly identified and accounted for.	Accepted. A mistake had taken place when making journal entries in accounting for sundry creditors and steps have been taken to correct those values.
(iv) A sum of Rs. 17,122,234 paid during the year under review from the industrial debtors balance payable as at 01 January of the year under review relating to the year 2017 had been accounted for as a capital expenditure of the year.	Payments for the settlement of liabilities and expenses should be properly identified and accounted for	Accepted. A mistake had taken place when making journal entries in accounting for industrial creditors and steps have been taken to correct those values.
(b) Unreconciled Accounts		
----- Audit Observation	Recommendation	Comments of the Accounting Officer
(i) There was a difference totalled Rs. 1,342,371 between the balance stated in the account and the schedule pertaining to 04 items of accounts as at 31 December 2018.	----- Action should be taken to reconcile the differences of the relevant balances and correct the accounts.	----- Action has been taken to correct the document.
(ii) Although the unpaid Pensions and Pension benefits as at 31 December 2018 amounted to Rs.765,847, it had been stated in the balance sheet as Rs. 748,780 understating by Rs. 17,067	Unpaid values should be stated in the financial statements.	Accepted Action will be taken to make corrections.
(iii) Although the balance of 02 items of revenue amounted to Rs. 5,700,452 during the year under review, it was Rs. .5,651,767 according to the documents, thus observaing a difference of Rs. 48,685.	Revenue for the financial year should be accurately stated in the documents and accounts.	This deficiency has occurred in documenting the revenue.

## (d) Accounts Receivable and Payable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) Two receivable account balances of Rs. 375,738 that remained unrecovered over a period of 08 years as at 31 December of the year under review had not been recovered.	Action should be taken to recover the balance due.	Even though these balances had been identified, those could not be settled in the year 2018. Action will be taken to correct it in the year 2019.
(ii) Three payable account balances of Rs. 725,020 that had continued to exist in the financial statements over a period of 08 years as at 31 December of the year under review had not been settled.	Action should be taken to settle the payable balances.	Even though these balances had been identified, those could not be settled in the year 2018. Action will be taken to correct it in the year 2019.
(d) Lack of Documentary Evidence for Audit. -----		
----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Due to absence of age analysis and detailed schedules relating to 5 items of accounts worth Rs. 6,771,447, they could not be satisfactorily verified in the audit.	Written evidence should be presented to substantiate the value set out in the financial statements.	The subject officers have been instructed to duly prepare the necessary schedules.

## 1.4 Non-compliance

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

Reference to laws, rules, regulations and Management Decisions	Nocompliance	Recommendation	Comments of the Accounting Officer
(a) Motor Traffic Act No.14 of 1951 (Cap.203)	Two tractors and a trailer belonging to the Sabha had not been registered	Action should be taken in accordance with the Act.	Officers in charge of the subject were instructed to take necessary steps to register such vehicles in the future.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
F.R.1647(e)	A register on the vehicles belonging to the Sabha had not been maintained.	Action should be taken in accordance with the Financial Regulations	The officer in charge of the subject was instructed to maintain a vehicle register according to F.R. 1649.
(c) Public Administration Circular			
i. Circular No. 09/2009 dated 16 April 2009	The hours worked in accordance with the circular had not been decided when setting up fingerprints and working overtime and holidays.	Action should be taken as per the circular.	Arrangements have already been made to install a fingerprint machine.
ii. Section 3.1 of the Circular No. 30/2016 dated 29 December 2016	Fuel combustion tests had not been carried out on vehicles belonging to the council.	The circular should be complied with.	The officer in charge of the subject was instructed to conduct the fuel combustion tests.

(d)	Treasury Circular No. IAI / 2002/02 dated 28 November 2002	A register of fixed asset on computers, accessories and software had not been maintained.	Action should be taken in accordance with the Circular.	The officer in charge of the subject was instructed to maintain a register of fixed asset on computers, accessories and software
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## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 1,355,178 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 3,694,977 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017				
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates and Taxes	1,722,112	1,856,994	1,442,851	1,381,358	971,520	1,735,413	1,405,666	967,015	
(ii) Rents	8,696,221	7,011,975	7,240,204	1,264,387	7,616,577	7,306,058	7,059,845	1,492,616	
(iii) Licence fees and Services	3,802,500	2,816,330	2,816,330	276,781	2,622,500	3,495,141	3,495,141	276,781	
(iv) Other Revenue	9,230,500	5,092,868	3,092,852	4,023,416	7,528,000	5,785,303	6,755,440	2,023,400	
	<u>23,451,333</u>	<u>16,778,167</u>	<u>14,592,237</u>	<u>6,945,942</u>	<u>18,738,597</u>	<u>18,322,015</u>	<u>18,716,092</u>	<u>4,759,812</u>	

#### 2.2.2 Rates and Taxes

##### Audit Observation

It was revealed that Assessment tax had been recovered without being published the Gazette notifications declaring the developed areas in terms

##### Recommendation

Action should be taken to recover the relevant revenue for the financial year and the

##### Comments of the Accounting Officer

Accepted.  
Sixty per cent of the revenue of the year has been recovered and action will be taken to deal with the

of Section 134 of the Pradeshiya Sabha Act No.15 of 1987. As a result, it could not be complied with the Financial and Administrative Rules 32 to 42 regarding the assessment tax amount of Rs. 1,381,358 that remained outstanding.

arrears without delay.

arrears of the year and the arrears of previous years by conducting a mobile service.

### 2.2.3 Rents

#### Audit Observation

A sum of Rs. 903,138 that remained outstanding to the Sabha from the year 2009 to 2018 on renting the meat stalls, fish stalls and vehicle parks of the Sabha had not been recovered.

#### Recommendation

Legal action should be taken to recover the outstanding revenue.

#### Comments of the Accounting Officer

In this connection, having informed on the payment of outstanding on several occasion and referred the matter to the arbitration board, arrears was recovered from certain persons in installments. Action will be taken in the future to recover the balances further remain outstanding.

### 2.2.4 Court fines and Stamp Duty

#### Stamp Duty

#### Audit Observation

The amount of stamp duty payable to the Sabha for the years 2016,2017,2018 has not been calculated and recovered.

#### Recommendation

Stamp Duty Revenue should be properly calculated and remitted.

#### Comments of the Accounting Officer

The schedule of stamp duty receivable for the years 2016, 2017 and 2018 has been obtained at present.

03. Operating Review

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3.1 Performance

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Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people to be performed by the Sabha in terms of Section 3 of the PradeshiyaSabhas Act, are as follows.

(a). By-laws

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Audit Observation

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Even though By-laws should be enacted under Section 126 of the Pradeshiya Sabha Act in order to carry out 28 main activities, By-laws had not been enacted on the relevant matters as at 31 December 2018.

Recommendation

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Action should be taken to enact by-laws.

Comments of the Accounting Officer

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The officers in charge of the subjects were instructed to carry out the activities on by-laws in the future

(b). Action Plan

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Audit Observation

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Out of the 11 activities planned for the year in terms of Action Plan for the year 2018, seven activities were not performed.

Recommendation

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The Action Plan shall be prepared in accordance with the financial strength and provisions of the Pradeshiya Sabha.

Comments of the Accounting Officer

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Although several planning projects were carried out according to the action plan, the remaining projects could not be implemented as the allocation of the Sabha was inadequate.

(d) Banded Tasks

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Audit Observation

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The Mahakirimatiyawa Sugunaramaya development project worth Rs. 100,000 which was proposed to be implemented under the decentralized allocation in 2017 had been abandoned.

Recommendation

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Actions should be taken to implement the project relevant to each year within the respective year.

Comments of the Accounting Officer

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Due to the problematic nature of the project, the project could not be implemented and the Department of Cultural Affairs has been informed the matter.

Necessary arrangements have been made to complete the project at present.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha was unaware of the United Nations 2030 Agenda on Sustainable Development Goals.	Action should be taken in accordance with the circular instructions.	The officers in charge of the subjects were enlightened on achieving sustainable development goals in the future.

3.2 Human Resource management

Audit Observation	Recommendation	Comments of the Accounting Officer
There were 08 vacancies in four posts at the primary level, four vacancies in 03 posts at the secondary level in the Pradeshiya Sabha as at 31December 2018, and 04 casual employees too had been recruited.	Action should be taken to fill the staff vacancies.	Accepted

3.3 Idle / Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The stall No. 4 owned by the Sabha and situated at the bus stand had remained idle since December 2017.	The shortcomings need to be rectified and action should be give it on rent promptly. Otherwise it should be used for the purposes of the Sabha.	Even though tenders were called for this stall, no bidder had forwarded tenders ans as such, it remain idle. Action will be taken to tender the same or use it for the purposes of the Sabha in the future.



## 3.4 Procurements

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Procurement Plan  
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## Audit Observation

## Recommendation

Comments of the Accounting  
Officer-----  
A procurement Plan had not been prepared.-----  
Action should be taken in accordance with the circulars.-----  
Procurement plans for the year 2018 have not been prepared and plans for the year 2019 have been prepared.

## 4. Accountability and Good Governance

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Implementation of Audit and Management Committees  
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## Audit Observation

## Recommendation

Comments of the Accounting  
Officer-----  
Audit and Management Committee meetings had not been held for the year under review as per the Finance Management & Audit Circular No. DMA / 2009 (1) (I) dated 28 January 2016.-----  
Action should be taken in accordance with the circular instructions.-----  
The officer in charge of the subject was instructed to take necessary action to conduct the Audit and Management Committees in the future.