

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 2019 had been presented to the Audit on 28 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 22 July 2020 and 04 September 2020 respectively.

1.2 Qualified Opinion  
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In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Kahatagasdigiliya Pradeshiya Sabha as at 31 December 2019 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 -----	Comment of the Accounting Officer -----
(i) Provision for creditors had not been made for the payment of Rs. 14,549,372 to be paid as at 31 December 2019 in respect of 12 projects carried out during the year under review and the preceding years.	Provision for all creditors should be made in the financial statements.	The value of Rs. 14,549,372 to be paid as at 31.12.2019 has not been included in page No.61 of the final account as the creditors and brought to account.
(ii) Six constructions costing Rs.8,616,247 carried out during the year under review had not been capitalized.	Action should be taken to account for all the assets accurately.	Agree. This will be included in the account for the years 2020.
(iii) A sum of Rs. 4,199,054 payable to the Local Loan and Development Fund as at 31 December of the year under review in respect of renovating commercial buildings had not been shown in the financial statements.	All liabilities should be accurately shown in the financial statements.	Agree. This will be included in the account for the years 2020.

(b) Accounts Receivable  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Arrears of lease rent of Rs. 567,022 that remained unsettled from the year 2004 to 2018 had not been recovered.	Action should be taken to recover the balances receivable.	Action will be taken to recover the relevant lease rent in arrears in this year.

(c) Lack of Necessary Documentary Evidence for Audit  
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Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Credible evidence relating to the lands and buildings amounting to Rs. 92,248,685 had not been submitted.	Evidence confirming the account balances shown in the financial statements should be furnished.	Agree. Action will be taken to take over the ownership of the lands.

1.4 Non-compliance  
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Non-compliance with Laws, Rules, Regulations and Management Decisions  
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Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Chapter 203 of the Motor Traffic Act No.14 of 1951.	A hand tractor and trailer, and a 04 wheel tractor and a trailer belonging to the Sabha had been used without registration.	Action should be taken for the registration.	It is acknowledged that the hand tractor and trailer have not been registered. Action will be taken for their registration
(b) No. 09 of the Local Government Reforms Circular No. PL / 07/01/53 dated 14 November 2006	Maintenance of registers on cemeteries, their declaration and ensuring security by erecting fence had not been done.	Registers should be prepared and maintain.	Accepted. A request has been made to the Divisional Secretary to transfer the existing cemeteries in the area to the Sabha to the Sabha. Action will be taken as instructed after the transfer of those cemeteries.

## 02. 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.6,645,382 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs.1,355,178 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	1,792,112	1,851,169	1,606,483	1,626,044	1,722,112	1,856,994	1,442,851	1,381,358
(ii) Lease Rent	8,475,463	9,682,150	9,493,608	1,452,929	8,696,221	7,011,975	7,240,204	1,264,387
(iii) Licence Fees	4,322,500	3,764,488	4,041,269	-	3,802,500	2,816,330	2,816,330	276,781
(iv) Other Income	8,323,936	7,914,915	7,813,647	4,124,684	9,230,500	5,092,868	3,092,852	4,023,416
	<u>22,914,011</u>	<u>23,212,722</u>	<u>22,955,007</u>	<u>7,203,657</u>	<u>23,451,333</u>	<u>16,778,167</u>	<u>14,592,237</u>	<u>6,945,942</u>

#### 2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, rates had been recovered without gazetting the developed areas and as a result, rates of Rs. 1,626,094 which remained in arrears could not be recovered.	The developed areas should be gazetted and action should be taken to recover the arrears as per the rules.	Out of the arrears brought forward, a sum of Rs. 292,611 was recovered in the year 2019 as per the rules. Action will be taken in this year to recover the further remaining arrears.
(b) Garbage tax had not been recovered from the lessees of 13 shops belonging to the church in Kahatagasdigiliya town.	Action should be taken to recover garbage tax.	Agree. Action will be taken to recover garbage tax

### 2.2.3 Licence Fees

#### Audit Observation

Business premises had not been registered after conducting a formal inspection in accordance with Rules 59-66 of the Pradeshiya Sabha (Finance and Administration) Rules, 1988.

#### Recommendation

A register should be maintained in accordance with the Rules.

#### Comment of the Accounting Officer

Agree.

### 2.2.4 Court Fines and Stamp Duty

#### Audit Observation

The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.745,669 and Rs.1,789,337 respectively.

#### Recommendation

Relevant revenue in arrears should be settled.

#### Comment of the Accounting Officer

Agree.  
Action will be taken to recover these dues in the year 2020.

## 3. Operating Review

### 3.1 Performance

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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

#### (a) By-laws

#### Audit Observation

Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to perform 28 key functions, by-laws had not been enacted on the relevant matters as at 31 December 2019.

#### Recommendation

Action should be taken to enact by-laws.

#### Comment of the Accounting Officer

The standard by-law No.06 of 1952 made by the Hon. Minister and the 10 by-laws published in the Extraordinary Gazette No.1960/35 dated 30.03.2016 and approved by the North Central Provincial Council have been adopted.

(b) Abandoned Tasks

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Audit Observation

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Recommendation

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Comment of the Accounting Officer

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The Rathmalgahawewa road paving project at the estimated value of Rs.500,000 proposed to be implemented under The Special Needs Village Development programme 2019 had been abandoned.

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Necessary action should be taken to comply with the agreement and to implement the relevant project.

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Agree.  
i. Action will be taken to black list the relevant organization.  
ii. Part of this road was to be constructed by the Provincial Road Development Authority and therefore, we were unable to construct the agreed project.

(c) Sustainable Development Goals

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Audit Observation

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Recommendation

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Comment of the Accounting Officer

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The Sabha was not aware of the United Nations 2030 Agenda for Sustainable Development Goals.

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Steps should be taken to implement the Sustainable Development Agenda 2030.

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Agree.

3.2 Management Inefficiencies

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Audit Observation

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Recommendation

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Comment of the Accounting Officer

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The arrears of Rs. 1,452,928 due on lease of meat stalls, fish stalls and car parks from 2004 to 2019 had not been recovered.

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Action should be taken to recover the arrears in accordance with the agreement.

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Accepted. Action will be taken to recover the arrears in this year.

3.3 Vehicle Utilization

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Six vehicles worth Rs. 5,593,818 belonging to the Sabha and the value unidentified water bowser trailer had been parked in the Sabha premises without being driven.	Relevant vehicles should be repaired and operated.	Vehicles used for the day to day duties of the Sabha are repaired and put into operation. Action will be taken to use the council fund to repair some of those vehicles in this year.
(b) Insurance coverage for 05 motor vehicles currently in operation had not been obtained.	Action must be taken to obtain insurance coverage.	Accepted. Action will be taken to obtain insurance coverage in this year.