

Buththala Pradeshiya Sabha

Moneragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 02 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 16 July 2015.

1.2 Opinion

I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the financial position of the Buththala Pradeshiya Sabah as at 31 December 2014, financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Action had not been taken to assess and account for the Land and Buildings belong to the Sabah.
- (b) Salaries and Members Allowance Reimbursable as at the date of end of the year under review amounting to Rs. 2,045,908 had not been accounted.

1.3.2 Accounts Receivable

- (a.) Action had not been taken to recover the sum of Rs. 6,900,173 due to the Sabha as hire charges for Motor Grader, Road Roller, Bako Loader and the Tipper Vehicle for the year under review.
- (b.) Lease Rent in arrears relevant to 07 properties amounting to Rs. 1,830,391 that was being brought for the period from the year 1989 to 2012 had not been recovered even as at date of end of the year under review.
- (c.) Stalls Rent in arrears amounting to Rs. 162,683 due to be recovered from stall holders of the old stalls removed when constructing new stalls, had not been recovered even as at date of end of the year under review.

1.3.3 Accounts Payable

Action had not been taken to settle Local Government Pensions Contributions in arrears amounting to Rs. 309,340 during the year under review too.

1.3.4 Lack of Evidence for Audit

Three items of Assets totalling Rs.386,853,792, two Items of Liabilities amounting to Rs.9,264,772 and 05 items of Expenditure amounting to Rs.59,956 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs.1,094,873 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.10,363,126. Accordingly, net decrease in the financial results had been Rs. 9,268,253.

2.2 Revenue Administration

2.2.1 Arrears of Revenue

Arrears of Revenue totalling Rs. 36,896,584 as at the end of the year under review had not been recovered in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 Rates

- (a) An Assessment of Properties had not been done for Rates after the year 2007.
- (b) A proper course of action had not been taken for recovery of Rates amounting to Rs.568,475 due from 48 rate payers who are in arrears for more than Rs.10,000.

2.2.3 Lease Rent

- (a) Action had not been taken to assess the rent of stalls belong to the Sabha in terms of provisions in the Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government.
- (b) While a total sum of Rs. 855,502 as rent of 17 stalls given on lease during the year under review amounting to Rs. 677,700 and penalties for delays in payment had not been recovered, action had not been either to recover penalties and rent or to eject from the stalls.

2.2.4 Court Fines and Stamps Fees

Court Fines and Stamp Fees Receivable in arrears as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities amounted to Rs. 1,936,946.

2.3 Surcharges

A sum of Rs. 733,241 was outstanding to be recovered as at 31 December of the year under review in connection with surcharges imposed by me against the persons responsible during past years in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987.

3. Operational Review

3.1 Operating Inefficiencies

- (a) A surcharged interest of Rs.122,859 had to be paid in addition to the interest paid amounting to Rs.1,982,074 due to non-payment of 13 installments payable from 30 September2013 to 31 October2014 as specified, relevant to the loan of Rs. 25,563,565 obtained from the Local Loans and Development fund.
- (b) The sum of Rs. 1,237,469 recovered relevant to 52 employees in service of the Sabah for the period from 01 January 2014 to 31 December 2014 had not been remitted to the Public Servants Provident Fund. Instead, Payments had been made to the Employees Provident Fund and the Employees Trust Fund.
- (c) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs. 271,318 had been incurred out of the Sabha Fund without taking action accordingly. Action had not been with regard to method of fixing, type of lamps to be fixed and number of lamps etc.
- (d) Although 26 employees served in the posts of Watcher, Driver, Field Laborer, Library Laborer etc. on casual or substitute basis during the period from the year 1987 to 2014 had been appointed to permanent service during the year under review, they were not included in the approved cadre of the Sabha.
- (e) In spite of the fact that there were no vacancies in the Management Service, five Sanitary, Road and Field Laborers recruited on permanent and casual basis had been assigned duties in the Posts of Management Assistants relevant to various subjects, without engaging them in the relevant functions.
- (f) Although it had been approved to engage two peons according to the approved cadre, 05 Sanitary and Road Laborers had been engaged in the duties of Peons without an approval.

- (g) Out of the 1064 Galvanized Pipes valued at Rs. 1,178,000 provided on 17 November of the year under review by the Divi Neguma Department to be used in services, , 776 Galvanized Pipes valued at Rs, 859,143 had been given to Wellawaya, Kataragama and Thanamalwila Pradeshiya Sabha without approval. However, Receipts Orders had not been received for those even as at 05 June 2015, date of audit. 288 Galvanized Pipes valued at Rs. 318,857 available with the Sabha had not been accounted.

3.2 Improper Transactions

A sum of Rs. 100,052 had been paid as salaries, allowances, Employees Provident Fund and Employees Trust Fund contributions, having recruited a substitute Sanitary Laborer during the year under review, without prior written approval of the Commissioner of Local Government contrary to the provisions in Section 19 (1 (i) of the Pradeshiya Sabha Act No. 15 of 1987.

3.3 Contacts Administration

(a.) Development of Balance Part of the Udaarawa Colony 02 Road

An agreement had been entered into on 14 June 2014 with a society for development of the above road for a sum of Rs. 929,870 under Door to Door, Village to Village Development Programme during the year 2014 and a sum of Rs. 185,997 had been paid on 05 December 2014 as an advance to the contacting society. At the field inspection carried out on 04 June 2015, it was observed that depth of the concreting had been done to a depth of 9 inches and 6 ½ inches had in two places examined, although concreting should have been done to a depth of 9 inches on two sides of the road.

(b.) Implementation of Manampitiya Water Scheme

An agreement had been entered into on 10 June 2014 with a society for implementation of the above water scheme for a sum of Rs. 971,905 under Remote Villages. Programme during the year 2014 and a sum of Rs. 836,738 had been paid as an advance to the contacting society. At the field check carried out on 04 June 2015, following matters were observed.

- (i) While the relevant construction had been made in a private land, land had not been vested.
 - (ii) Wild plants had grown up making it impossible to have access to the well-constructed.
 - (iii) Payment made for following parts of work referred to in the Bill had not been done.
 - Fixing Pump House Door
 - Painting Widows
 - (iv) Implementation of the Water Scheme had been stopped half way.
- (c.) Laying Stone Blocks on 143/2 Uda Arrawa, Thotillaketiya Road
- While an agreement had been entered into for a sum of Rs. 500,000 on 10 June 2014 with a certain society for Laying Stone Blocks on the above road, the entire amount of Rs. 500,000 agreed upon had been paid to the contacting society. At the field inspection carried out on 04 June 2015, following matters were observed.
- (i.) Although payment had been made for laying stone blocks to a length of 96 meters, according to the Payment Bill, stone blocks had been laid to length of only 86 meters.
 - (ii.) Although payment had been made for concreting to a width of 4 inches and to a depth of 9 inches, in 03 places so concreted the depth of the concrete layer had been 6", 7" and 8".
 - (iii.) Stone Blocks had got sunk in certain places of the road.

3.4 Solid Waste Management

- (a.) Five hundred Waste Bins of 20 liters had been provided vide Letter No. 12/D/05/Waste/ Bins dated 08 November 2013 of the Uva Commissioner of Local Government for distribution at house hold level for improving waste management. Those bins had been stored in the Mahagodayaya Solid Waste Centre Ground even as at the end of the year under review without action being taken for distribution. Action had not been taken to include those bins in the stock registers too.

- (b.) While the Centre for Collection of Recyclable Waste had been constructed under Provincial Criteria Based Grants – 2013, a sum of Rs. 2,029,126 including retention money had been paid to the contracting society. While the Work had been completed on 05 February 2014, approval of the Commissioner of Local Government had not been obtained for that. The Commissioner of Local Government had informed that construction should be done after vesting ownership of land. However construction had been done without vesting the ownership.
- (c.) When the Centre for Collection of Recyclable Waste was physically inspected, it was observed that this Centre had not been used for waste management, that electricity and water supply had not been provided to the Centre, that latrine pit had not been made and the rear door of the building cannot be properly closed.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration