

Kuruvita Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 27 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 10 August 2015.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kuruvita Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a.) Although the expenditure for the year under review relevant to Expenditure Item 108 should be Rs. 238,833, Creditors Balance of Rs. 130,108 in the financial statements only had been accounted and due to that expenditure for the year had been understated in a sum of Rs. 108,725.

- (b.) Although the expenditure for the year under review relevant to Expenditure Item 203 should be Rs.1,363,334, it had been accounted Rs. 1,644,741 in the financial statements. Due to that expenditure for the year had been overstated in a sum of Rs. 281,407.
- (c.) Adjustments had not been made through the financial statements at the end of the year in respect of Creditors amounting to Rs. 47,500 relevant to the year under review.
- (d.) Adjustments had not been made in connection with overprovision of Rs.1,281,977 when making payments for Creditors relevant to the preceding year.
- (e.) A sum of Rs. 105,309 had been over adjusted, In making adjustments to the Accumulated Fund, in respect of under/over billings through journal entries during the year under review.

1.3.2 Non-reconciled Control Accounts

Following observations are made.

- (a.) Difference between total relating to 08 Items of Accounts of according to the financial statements as at 31 December 2014 and balances according to the Control Accounts relevant to those amounted Rs. 63,022,715.
- (b.) A difference of Rs. 22,823,774 was observed between the Votes Ledger and the Consolidated Expenditure Summary relevant to 02 Items of Accounts.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a) <u>Pradeshiya Sabha Act No. 15 of 1987</u> Section 132 (a)	Although prior written approval of the Minister should be obtained for total annual expenditure to be incurred exceeding Rs. 1,000 connected with civic receptions or public work or occasion or incident, contrary to that, a sum totalling Rs.96,767 had been Incurred in 08 instances.
(b) <u>Financial regulations of the Republic of Sri Lanka - 1992</u> Financial Regulations No. 371(2)	Action had not been taken to settle an advance of Rs. 200,000 granted for an educational tour during the year under review even up to the time of audit in April 2015.
(c) Extra Ordinary Gazette Notification No. 1396/18 dated 08 June 2005 of the Republic of Sri Lanka	A sum of Rs. 25,000 had been paid to a Member Members 'allowance who had not participated in Sabha Meetings in 05 instances.
(d) <u>Code of Government Procurement Guidelines</u> 2.8.4 and 8.12.3	Equipment, House Hold Goods and Sport Equipment valued at Rs. 597,920 had been purchased for distribution among pre-schools. While recommendations of a Technical Evaluation Committee had not been obtained for that, a Certification by a technical officer too had not been obtained to the effect that the purchases were made according to the relevant specifications.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue for the year ended 31 December 2014 amounted to Rs.17,172,231 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,451,340.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,084	1,751	4,320
(ii)	Lease Rent	5,261	5,011	5,710
(iii)	Licence Fees	1,271	1,625	-
(iv)	Other Revenue	8,746	26,953	3,881

2.2.2 Performance I Revenue Collection

When Estimated Revenue is compared with Actual Revenue for the year under review, a decrease by 46 per cent, 58 per cent and 36 per cent respectively were reflected relating to revenue collected as Rates and Taxes, Warrant Charges and Fines and Other Revenue.

2.2.3 Lease Rent

Following observations are made.

- (a.) Action had not been taken to recover a sum of Rs. 1,351,500 as arrears of rent due for a period ranging from 01 month to 05 years, relevant to 08 stalls, out of 36 stalls in the new market in the Kuruvita Town belong to the Sabah as at 31 December 2014 and a sum of Rs.3, 621,500 as relevant surcharges.
- (b.) While the rent outstanding for a period exceeding 04 years from 07 stalls amounted to Rs.1,350,000, it was 97 percent of the total amount in arrears. It was observed that the amount due to be recovered from one individual holding three stalls had taken a high value such as Rs.696,000. With regard to monthly lease rent outstanding from two stalls, rent had been revised at the rate of Rs. 1,500 effective from November 2010.
- (c.) While the number of stalls in arrears of rent for a period exceeding 01 year out of temporary stalls was 03, the amount due including the surcharge was s. 158,190.
- (d.) While the key money and the charges for the stalls of the new building had been revised according to the assessment of the Chief Valuer, key money amounting to Rs. 6,343,861 for 07 stalls in the ground floor had not been revised up to the time of audit in April 2015. While approval had been sought from the Minister to reduce the key money for those stalls after revision, although a decision had been taken to recover a part of the key money (1/2) and to pay the balance according to the assessment in the event of not receiving the approval, vide Sabha decision dated No. 6.2.1 dated 18 November 2014, that order had not been implemented up to the time of audit in April 2015.

2.2.4 Publicity Advisement Fees

While only 19 permanent advertisement boards had been identified in the area of authority of the Sabha, although a large number of publicity advertisements made utilizing walls, advertisements through banners, digital advertisements etc., were observed, action had not been taken to identify and recover fees for those, in terms of the gazette notification by the Sabha. Due to that a large amount of revenue had been lost to the Sabha. It had not been identified whether the publicity advertisements for which fees were recovered during the year had been removed during the year 2014 and if those still exist, to recover the fees by the Sabha.

2.2.5 Court Fines and Stamp Fees

Following observations are made.

- (a.) While the relevant registers had not been updated having exercised supervision with regard to the Court Fines and Stamp Fees receivable to the Sabha, only the revenue recovered by the Provincial Revenue Department had been recorded as revenue received by the Sabha.

- (b.) Action had not been taken by the Sabha with regard to stamp Fees received Rs.178,450 on behalf of the Sabha according to the letters No. 27(VII) dated 15 August 2014 and 30 September 2014 of the Commissioner of Local Government, relevant to the period April 2013 to March 2014, but not remitted to the Sabha due to lack of proper confirmation.

3. Operating Review

3.1 Foreign Travel Expense

While Members and Secretary of the Pradeshiya Sabha had participated in 05 days foreign tour in Thailand and the 9th Youths Conference held in India organized by a private institution, and a sum of Rs. 1,411,800 had been paid to the private institution out of the Sabha Fund on behalf of participants for that. Approval of the Minister in Charge of the subject had not been received for those tours.

Following observations are made in connection with the tours referred to above.

- (a.) Although all expenditure to be incurred and facilities to be provided should be born by the relevant organization, foreign government or foreign institution in the event of selection of Head, Deputy Head or Member of a Local Authority, in terms of the letter No. PL/07/01/05/26 dated 09 September 2010 of the Secretary to the Ministry of Local Government and Provincial Councils, payments referred to above had been made disregarding those provisions.
- (b.) Although it is required to get the leave approved before going abroad, leave abroad had not been approved for two members went abroad for the tour in Thailand, according to the letter No.CLG/9/6/1 dated 24 December 2014 of the Commissioner of Local Government.
- (c.) Advances totalling Rs. 516,750 given to the participants of the Thailand Tour had not been settled.
- (d.) Although a report indicating how to utilize the knowledge obtained through foreign training the training locally, should be submitted within a month from the end of the training, such report had not been submitted by the members who participated in the Indian Youths Conference, although about 08 months had elapsed after the end of the tour.

3.2 Fixing Street Lamps

Street Lamps and Bulbs valued at Rs. 994,310 had been purchased without identifying the requirements properly and prior recommendations from the technical officer during the year 2014. While action had not been taken in terms of Guideline 2.8.4 and 8.12.3 in the Code of Procurement Guidelines of 2006, a proper documentation had not been made with regard to fixing these street lamps and bulbs. While street lighting is in operation without taking into consideration the instructions with regard to street lighting, in the Circular dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, the understanding made with the Ceylon Electricity Board too were not made available to audit.

3.3 Operational Inefficiencies

Following observations are made.

- (a.) Action had not been taken settle a Creditors Balance of Rs. 3,986,846 which was being brought forward since the years 2011 to 2012.
- (b.) While only 42 Cemetery Grounds had been identified out of the Cemetery Grounds situated in the area of authority of the Sabha, only 06 Cemetery Grounds had been vested. Action had not been taken to carry out survey works of others and vest those and documentation.
- (c.) Out of 112 Waste Bins received in 23 July 2014 from the Local Government Department under the Programme for Sorting out Waste to improve Waste Management in Local Authorities, It was observed in audit inspection June 2014 49 Plastic Waste Bins had been kept in the stores without being distributed.
- (d.) Namaldeniya Rest belongs to the Sabha had been leased out to the Narahenpita, Ceylon Transport Board for a period of five years from 01 January 2010 to 31 December 2014. While that Rest had been handed over back to the Sabha on 02 December 2014, House Hold Goods, Fixtures and Electrical Equipment and other goods leased out in terms of the agreement had not been handed over back as well.

4. Systems and Controls

Special attention of the Sabah is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Revenue Administration
- (d.) Assets Management