

Kegalle Pradeshiya Sabha

Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 30 June 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 28 June 2016.

1.2 Opinion

In my opinion, except for the effects of the matters shown in paragraphs 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kegalle Pradeshiya Sabha as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters are observed.

- (a) One acre of land valued at Rs.250,000 vested with the Sabha by a title deed by selling a land named Udamka Siyabalapitiya on public auction had not been accounted for. As such, the value of fixed assets as at 31 December of the year under review had been understated by a similar amount.
- (b) Arrears of rates and taxes amounting to Rs.1,844 had been written off during the year under review without the approval of the Minister of Local Government. As a result, rates and taxes receivable had been understated by a similar amount.

1.3.2 Unreconciled Control Accounts

The following matters are observed.

- (a) According to the financial statements, the balances of 03 items of accounts totalled Rs.8,358,049 whereas the balances of accounts totalled Rs.8,250,852 as per subsidiary registers/reports resulting in a difference of Rs.107,197.
- (b) Fourteen items of land and buildings valued at Rs.9,362,325 shown in the financial statements had not been entered in the register of fixed assets. As such, the schedules furnished with the accounts had not tallied with the register of assets.

1.3.3 Accounts Receivable and Payable

The following matters are observed.

- (a) The balances of accounts receivable as at 31 December 2015 amounted to Rs.61,278,565 of which Rs.17,433,048 were balances of over one year.
- (b) The value of accounts payable as at 31 December 2015 amounted to Rs.25,876,320 of which Rs.3,498,821 were balances of over one year.

1.3.4 Non-compliance with Laws, Rules, Regulations etc. Accounts Payable

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Non-compliance Management decisions

Code of Financial Rules of the Sabaragamuwa Provincial Council – Rule 261. 2.7

It has been informed that settlement of impress of any type should not be delayed beyond 31 December 2015 of the financial year. However, advances of Rs.143,908 issued on 10 instances during the two years 2005 and 2015 had not been settled as at 31 December 2015.

Pensions Circular No:2/2011 (Amendment 01) of the Director General of Pensions dated 20 July 2011

A sum of Rs.12,345 had been paid from the funds of the Sabha as contributions to the Employees' Trust Fund instead of contributing to the Public Service Provident Fund.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.22,502,259 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,525,581 showing an improvement in financial results amounting to Rs.4,976,678.

2.2 Analytical Financial Review

Increase in 05 items of revenue and the decrease in 05 items of expenditure had mainly attributed to the improvement of Rs.4,976,678 in financial results.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The information relating to revenue billed, actual revenue and the arrears of revenue, as presented by the Secretary appear below.

	Source of Revenue	Arrears as at 01 January 2015	Recoveries out of the arrears as at 31 December 2015	Amount billed for 2015	Recoveries out of the amount billed for the year	Arrears as at 01 January 2015	Arrears out of amount billed for the year	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i)	Rates and Taxes	430,182	195,120	583,240	428,574	235,062	154,846	389,908
(ii)	Lease Rent	131,655	36,932	261,110	132,367	94,723	128,743	223,466
(iii)	Other Revenue	11,811,770	4,881,237	12,500,000	-	6,930,533	12,500,000	19,430,533
(iv)	Court Fines	6,863,533	-	9,000,000	-	-	9,000,000	15,863,533
(v)	Revenue Aid	2,097,822	2,097,822	25,119,186	260,021,454	-	20,977,732	2,097,732

2.3.2 Court Fines and Stamp Fees

The amount receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2015 appear below.

Rs.

(i)	Court Fines	15,863,533
(ii)	Stamp Fees	19,430,533

2.3.3 Other Revenue

The following matters are observed.

- (a) According to running charts of the Becko Loader Machine bearing No.WGAA-5059 for the period July 2015 to 28 December, the machine had been engaged in services for 45 metre hours on the basis of hire charges. However, according to the register of hire of the machine, recoveries had been made for 30 metre hours only. Accordingly, a sum of Rs.36,000 had not been recovered for 15 metre hours.
- (b) A sum of Rs.136,950 had not been recovered for 26 notice boards exhibited for public view within the authoritative area of the Sabha during the year 2015.

- (c) A sum of Rs.121,960 could not be recovered from 2 stalls of the public market as at 31December 2015 as a result of non recovery of periodical stall rent as per lease agreement.

3. Operating Review

3.1 Operating Inefficiencies

The following matters are observed.

- (a) Action had not been taken to settle the arrears of electricity charges of Rs.463,142 shown in the accounts since 1989.
- (b) Three telephones valued at Rs.60,056 had been given to 3 persons who had held the posts of Chairman of the Sabha although 01 to 10 years had elapsed since their termination of posts. Action had not been taken to receive the telephones from them and to disconnect supply.
- (c) According to the letter of the Kegalle District Medical Officer No:M.O.H.K/2014 dated 03 February 2015, it has been stated that the recommendations of the Public Health Inspector should be obtained for the place where the garbage is to be disposed of. However, excreta had been disposed of using galie bowers on 40 occasions without such recommendations.
- (d) Two lands had been sold on public auction by getting the approval for separating the lands into blocks during the year 2015. In this connection, advances had been obtained on a temporary assessment made by the Revenue Collectors of the Sabha. However, action had not been taken to obtain the actual value of blocks of land.
- (e) Inquiries had not been made to find out whether the unauthorized settlers had carried out the evacuation orders of the Sabha made for 04 unauthorized constructions during the year 2015.

3.2 Irregular Transactions

According to the provisions in the Public Administration Circular No:5/2013 dated 22 April 2013, a sum of Rs.4,000 per person should be paid for uniforms and tailoring charges of drivers and junior staff. However, a sum of Rs.3,265 had been paid to 04 junior staff members including drivers in excess of their entitlement and a sum of Rs.43,207 had been paid less than the specified amount to 27 of them.

3.3 Identified Losses

The following matters are observed.

- (a) Surcharges amounting to Rs.211,257 had been paid on the verdict of the Court case No:26684/14 of the Kegalle Magistrate's Court with regard to the non payment of contributions to the Employees' Provident Fund of 2 employees of the Sabha for the period August 2006 to July 2010.

- (b) A sum of Rs.22,704 had been paid to the Employees' Provident Fund and a sum of Rs.5,676 had been paid to the Employees' Trust Fund on behalf of 05 permanent and pensionable employees.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

A sum of Rs.22,709,500 had been paid in excess of the approved estimates of 23 objects.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Debtors' Control and Creditors' Control
- (e) Assets Management.