

Kahawaththa Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 26 April 2016 and the financial statements for the preceding year had been presented on 27 February 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 23 May 2016.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kahawaththa 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 accounting deficiencies are observed.

- (a) A capital expenditure of Rs.376,737 had been incurred on obtaining supply of electricity to the public market of the Pradeshiya Sabha. This had been adjusted in the revenue expenditure of settlement of electricity bills. As a result, the operating surplus had been understated by a similar amount.
- (b) The rates and taxes of Rs.160,510 received for the year under review had been brought to account as revenue of the previous year.
- (c) A journal entry bearing No.13 had been made in order to equalize the balances between the main ledger and the registers. While doing so, adjustments amounting to Rs.11,611 and Rs.77,615 respectively had been made to the Water Charges Account and the Stalls Rent Account without identifying the differences between the register and the account.
- (d) A difference of Rs.143,957 was observed while separately considering the bank reconciliations prepared for 02 bank accounts maintained by the Sabha at the People's Bank and at the Bank of Ceylon.

1.3.2 Unreconciled Control Accounts

A difference of Rs.1,506,224 was observed in the revenue of the year under review pertaining to 03 items of accounts as appearing in the financial statements and the subsidiary registers.

1.3.3 Lack of Evidence for Audit

The detailed schedule showing the make up of the fixed assets valued at Rs. 92,564,931 had not been furnished for audit.

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

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

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Financial Regulations of the Republic of Sri Lanka

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|---|---|
| (i) Financial Regulations
101 to 110 | No action, whatsoever, had been taken in terms of the said regulations even by 13 November 2015, the date of audit, with regard to the shortage of the trailer No.46-4075 belonging to the head office of the Pradeshiya Sabha pointed out in the board of survey report of 2013. |
| (ii) Financial Regulation
371(2) | Action had not been taken even by 13 November 2015, the date of audit, to settle the advances of Rs.126,149 for the period 2006 to 2015. |
| (iii) Financial Regulation
371(2)b | The ad-hoc imprest payable at an instance should not exceed Rs.20,000. However, 02 instances were observed where advances of Rs.87,500 had been given in excess of the said limit during the year under review. |

(iv) Financial Regulation
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Lapsed deposits should be settled. However, such action had not been taken with regard to deposits aggregating Rs.851,970 for the period 2000 to 2013.

(b) Circular of the Commissioner of Local Government No.03/2012 of 29 May 2012.

Section 06

Payments for fuel allowances to members should be based on the reimbursement of the initial advance paid to them. However, fuel allowances had been paid with allowances payable to members for the number of sessions attended to at the Sabha based on the bills produced or not.

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. 2,277,250 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,005,085.

2.2 Analytical Financial Review

The financial operating surplus had decreased by Rs.727,335 as compared with the previous year and it was observed that the decrease was 24 per cent. The increase in recurrent expenditure and the decrease in recurrent revenue of the year under review as compared with the previous year had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished for the year under review with regard to the estimated revenue, actual revenue the arrears of revenue for the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and taxes	3,352	3,302	3,213
Lease rant	7,766	3,021	617
Licence fees	194	118	-
Other revenue	34,749	31,034	9,663

2.3.2 Performance in Collection of Revenue

The following observations are made.

- (a) A comparison of the estimated revenue of the year under review with the revenue collected showed an extensive decrease in rates and taxes, revenue from lease rent, licence fees, service charges, warrant charges and fines and other revenue by 19 to 64 per cent.
- (b) A comparison of the total estimated revenue with the total revenue collected in 2013, 2014 and 2015 had shown decrease of 0.94 per cent, 0.27 per cent and 48 per cent respectively. The revenue collected for the year under review showed an extensive decrease of 48 per cent than the estimated revenue.

2.3.3 Rates and Taxes

The performance in collection of revenue for the year under review as at 11 November 2015, the date of audit, was at a low level such as 26 per cent of the arrears and 37 per cent of the budgeted value.

2.3.4 Licence Fees

A survey relating to taxes for business and work existing within the authoritative area of the Sabha had not been carried out in order to prepare a register according to the types of business and the types of work. Instead, the daily collection of tax only had been entered.

2.3.5 Other Revenue

- (a) Bye-laws had not been framed and gazetted for notification with regard to the advertisement board charges. An extensive revenue that could be collected from the advertisement boards within the authoritative area of the Pradeshiya Sabha had been ignored.

- (b) Separate assessment for stalls of the public market should be made by the Chief valuer in terms of the provisions in the Circular issued by the Commissioner of Local Government bearing No.2009/01 dated 09 March 2009. However, the General Council had decided on 29 August 2013 that Rs.400,000 should be recovered for the stalls of the upper floor and Rs.500,000 should be recovered for the stalls of the basement as key money. The arrears of key money due from 06 stalls so given amounted to Rs.2,065,000 even by 11 November 2015, the date of audit.

2.3.6 Court Fines and Stamp Fees

Action had not been taken even by end of the year under review to obtain the court fines after the month of February 2015 and the stamp fees due from the Land Registry, Ratnapura after August 2014 as well as the stamp fees due from the Land Registry, Embilipitiya after the month of March 2015.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) Creditors' balance of Rs.11,009,360 was observed in respect of the previous years caused by non payments to creditors or due to non maintenance of registers. Action had not been taken even by 11 November 2015, the date of audit, to settle the debts or to rectify the registers.
- (b) The Sabha had only 04 drivers for the fleet of 13 vehicles. It was thus observed in audit that many vehicles had been entrusted to one officer.

3.2 Transactions of a Contentious Nature

The following observation are made.

- (a) A sum of Rs. 10,000 had been paid on 09 February 2015 to release the cab with the registered number PF – 5499 used by the Chairman of the Pradeshiya Sabha who had been taken into custody. But, action had not been taken to get the reimbursement of money from the Chairman.
- (b) The 4 WD Diesel NISSAN NAVARA LE double – cab bearing No. PE – 5499 received from the Ministry Local Government and Provincial Councils on 11 May 2014 had met with accidents on 02 October 2014 and 27 July 2015. Documents relating to this had not been furnished to audit. Further, it had been taken into police custody for court activities on 08 August 2015. The vehicle worth over to 5 million received on 11 May 2014 had become an

unnecessary burden of expenditure to the Sabha's funds within 1 ½ years due to careless driving and negligence.

3.3 Solid Waste Material Management

Proper methods had not been implemented for garbage management even during the year under review. It was observed that the garbage collected in the town had been buried in a ground at Havupewaththa area in an open space regardless of the fact whether the garbage was decayable or not. A sum of Rs.101,890 had been spent on behalf of the Becko machine which had helped in the disposal of garbage by digging the soil.

3.4 Assets Management

The following observations are made.

(a) Idle and Under Utilized Assets

The Foton Dump Truck bearing No.WPLL-6964 received from the Central Environmental Authority remained idle at the Sabha premises at present. There was no specific driver and much expenditure had been incurred on insurance and the rest. The size of the truck was more than the needs required by the Sabha and could not be used for transportation of garbage or for any other purpose and had not been used for earning revenue and had been lying idle even by 13 November 2015, the date of audit.

(b) Irregular usage of Assets that had not been Acquired

- (i) Although it had been identified that there were 25 crematoriums in a land of 22 acres, 03 roods and 31 perches belonging to the Sabha within the authoritative area of the Sabha, the Sabha had not possessed the title deeds or survey plans of them. A survey fees of Rs. 34,520 had been paid for 02 out of the whole crematoriums. However, action had not been taken by the Sabha to complete the survey work and to acquire the crematoriums.
- (ii) The Sabha owned 21 playgrounds of which 02 playgrounds only had been entered in the register. Further, a pre school had been conducted in a land belonging to the Sabha. However, there were no title deeds or survey plans to establish the ownership of the land and the ownership of playgrounds.

4. Good Governance and Accountability

4.1 Annual Procurement Plan

An annual procurement plan had not been prepared for the year under review and action taken accordingly.

4.2 Internal Audit

Necessary facilities had not been made for implementation of an internal audit unit by providing necessary facilities for it.

4.3 Implementation of Audit and Management Committees

Action had not been taken to establish and implement Audit and Management Committees.

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Solid Waste Material Management