

Raththota Pradeshiya Sabha

Matale District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 19 May 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 02 August 2016.

1.2 Opinion

In my opinion, except for the effects 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 Raththota Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended are 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) The value of 05 buildings, 05 furniture and office equipment and one vehicle amounting to Rs.15,248,801 had not been capitalized.
- (b) Out of the money received from the Ministry of Provincial Councils and Divisional Development in 2014 for Strengthening of the Pradeshiya Sabha, a sum of Rs.1,341,166 had not been spent. This money had been remitted back to the said ministry and while doing so, the creditors' balance had not been adjusted. as a result, the capital expenditure had been overstated.
- (c) Revenue from stamp fees receivable amounting to Rs.4,189,208, capital aid of Rs.3,419,291 and the capital expenditure of Rs.924,426 had been understated.
- (d) The total value of 06 buildings and library books amounting to Rs.1,475,287 had been overstated.
- (e) Contributions payable to the Department of Pensions for the year under review amounting to Rs.78,094 had been omitted in the financial statements.

- (f) Recurrent revenue of 2 Revenue Heads aggregating Rs.2,002,950 had been overstated.
- (g) Matters pointed out in paragraph 2.2.1 of the Auditor General's report No.CL/ML/B/RPS/05/14/38 dated 03 July 2015 had not been rectified.

1.3.2 Unreconciled Control Accounts

The balances relating to 03 items of accounts totalling Rs.24,201,851 as per financial statements and the values appearing in the related subsidiary registers and reports differed by Rs.367,665.

1.3.3 Suspense Account

Action had not been taken to settle even during the year under review the balance of Rs.15,462 of the Suspense Account which continued to be brought forward for 18 years.

1.3.4 Accounts Receivable

The balances of 10 items receivable aggregated Rs.28,839,421. The balances of over 05 years aggregating Rs.1,744,225 had been included in this .

1.3.5 Accounts Payable

The balances of 04 accounts payable aggregated to Rs.20,293,580. The balances of over 05 years amounting to Rs.2,144,087 had been included in this.

1.3.6 Lack of Evidence for Audit

Transactions aggregating Rs.102,728,372 could not be satisfactorily vouched in audit due to non rendition of adequate evidence relating to 06 items of accounts for audit.

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

The following Instances of non-compliances with laws, rules, regulation etc., detailed below were observed in audit.

Reference to Laws, Rules, Regulations etc.,	Non-compliance
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(a) Section 219(1) of the Pradeshiya Sabha Act No. 15 of 1987	The ex-Chairman of the Raththota Pradeshiya Sabha had taken action to award 15 contracts valued at Rs.1,392,355 to the Raththota Samurdhi Officers' Welfare Society in which he too was a member.

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| (b) | 1988 Pradeshiya Sabha (Finance and Administration) Rule 218 | Land and buildings had not been verified after 1987 |
| (c) | Financial Regulation of the Republic of Sri Lanka No.756 | Inventory items, stores goods and ayurvedic stock had not been subjected to verifications for the year 2015. |
| (d) | Paragraph 3.5 of the circular of the Secretary to the President No. SP/RD/02/10 of 03 February 2010 relating to Management of State Lands | Although it has been informed that the local authority could enjoy the benefits of lands vested with it while the entire ownership belongs to the state and such lands could not be disposed of, to 3 rd parties. Construction of 2 unauthorized stalls had been allowed in the properties belonging to Sabha, in contravention of the requirement. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.14,254,378 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.7,540,055 resulting in an improvement in financial results of the year under review by Rs.6,714,323.

2.2 Revenue Administration

2.2.1 Rates and Taxes

The balances of rates and taxes as at 31 December 2015 amounted to Rs.795,607 and the balances of Rs.779,748 relating to 01 to 05 years had been included in this.

2.2.2 Acreage Tax

The arrears of acreage tax amounted to Rs.327,814 and the balances of Rs.287,449 relating to 01 to 05 years had been included in this.

2.2.3 Water Charges

- (a) Out of the arrears of balances of Rs.5,445,708 at the commencement of the year under review, a sum of Rs.2,312,546 only had been recovered and it represented 42 per cent of the entire arrears. The balance of water charges as at end of the year amounted to a higher value of Rs.5,902,553.
- (b) Water had been distributed among 3,777 consumers by the year 2015. Only 52 of these consumers had been supplied with water meters. The monthly charges recovered from the rest of 3,725 consumers were at the rate of Rs.200, Rs.300, Rs.500, Rs.750 Rs.1,200 etc, without any basis.

2.2.4 Licence Fees

Balances of licence fees existing for 04 years amounted to Rs.408,685.

2.2.5 Lease Rent

The arrears of lease rent amounted to Rs.594,548. Arrears of balance Rs.459,702 for over one year had been included in this.

2.2.6 Court Fines and Stamp Fees

Court fines of Rs.6,793,995 and stamp fees of Rs.1,967,565 remained recoverable as at December 2015. The Secretary had informed me on 07 July 2016 that the arrears of stamp fees had been recovered.

2.3 Surcharges

The surcharges of Rs.10,220,657 imposed during the previous years in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987 remained recoverable.

3. Operating Review

3.1 Management Inefficiencies

The following matters are observed.

- (a) Vesting orders had been obtained for only 06 out of 152 lands belonging to the Sabha. Action had not been taken to obtain legal deeds for all lands and to confirm ownership.

- (b) Action had not been taken in terms of paragraph 06 of the circular No.95/9 of 27 December 1995 issued by the Chief Secretary, Central Province to recover arrears of loan balances of Rs. 435,073 from officers who had gone on transfers/vacated/retired.
- (c) The balances amounting to Rs.2,624,047 for the period 2000 to 2013 had been included in the balances of debtors. These balances had not been settled.
- (d) Action had not been taken to settle the unsettled balance of advances amounting to Rs.414,687 relating to the period 1999 to 2013.
- (e) Action had not been taken to settle the balances of Rs.5,541,919 relating to the period 2006 to 2013 included in the creditors' balances.
- (f) Seven stalls had been constructed at Janaka Bandara Tennekone Mawatha by spending Rs.1,539,878 under the 2014 Pradeshiya Sabha General Fund. These had been rendered to persons, deviating from normal tender procedure.
- (g) The post of Revenue Collector of the Sabha was not vacant. However, an employee had been employed on the basis of paying commission amounting to 40 per cent. The commission paid to him amounted to Rs.71,691.
- (h) Twenty one excess employees had been enlisted with duties. Meanwhile, 07 persons had been employed on the basis of paying salaries and allowances daily and 04 persons had been permanently recruited for posts not approved.

3.2 Operating Inefficiencies

Loans amounting to Rs.250,000 had been granted to 05 members under the programme for giving motor cycles to members of the Sabha to supervise development activities. Action had not been taken to deduct this from their monthly allowances and remit same.

3.3 Assets Management

Idle and under utilized assets

The following matters are observed.

- (a) Action had not been taken to auction 9 vehicles valued at Rs.1,661,900 which cannot be used or to repair them and make use of. Meanwhile, suitable action had not been taken to dispose of 2 photocopy machines valued at Rs.213,000 and a roneo machine valued at Rs.106,000 set aside without being used.
- (b) Water equipment valued at Rs.1,950,000 had been purchased for installing new pipelines while broadening the Raththota Matale main road in 2012. Out of those equipment, equipment worth Rs.451,240 remained stacked at the conference hall building without being used.

3.4 Irregular Transactions

The membership of members of the Pradeshiya Sabha had ceased on 15 May 2015. But, the entire fuel allowances had been paid to them for the month of May resulting an overpayment of Rs.12,500.

3.5 Identified Losses

Contributions to the Employees' Provident Fund should be remitted to the Fund in terms of Section 10(1) and (2) of the Employees' Provident Fund Act No. 15 of 1958. However, a sum of Rs.79,587 had been paid as surcharge as a result of delay in remittance of contributions for the period 2001 - 2012.

3.6 Solid Waste Material Management

About 2 tons of garbage had been collected daily within the authoritative area of the Sabha utilizing 2 tractors and 07 labourers of the Sabha. 600 kilogrammes of solid waste materials sorted out had been allowed to be decomposed and subsequently utilized to produce compost fertilizer. About 40 per cent out of the garbage collected had not been used for producing compost and had been disposed of, endangering the environment.

4. Good Governance and Accountability

4.1 Budgetary Control

Although the budget had been revised during the year under review, significant variances were observed between the budgeted and actual revenue and expenditure as detailed below, showing that the budget had not been utilized as an effective instrument of management.

- (a) The revenue targeted for 04 revenue items had not been earned by 36 to 97 per cent and the estimated revenue of 13 other items of revenue had exceeded resulting in variances ranging from 52 to 664 per cent.
- (b) The entire estimated provision of Rs.2,864,772 of 15 objects had been saved. Variances ranging from 40 to 99 per cent existed between the net provision and the actual expenditure with regard to 27 other objects.

4.3 Internal Audit

An internal audit method had not been adopted in terms of Rule 5(7) of the 1988 (Finance and Administration) Code of Rules.

4.3 Audit and Management Committees

Action had not been taken to establish Audit and Management Committees in terms of the letter No.CPC/CLG/1/9/1/4 of 08 August 2014 of the Commissioner of Local Government .

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Human Resources Management