

Kalpitiya Pradeshiya Sabha
Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 24 March 2017 and the financial statements for the preceding year had been presented on 24 March 2016. The report of the Auditor General for the year 2016 had been sent to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kalpitiya Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Salary reimbursements amounting to Rs.13,435,961 had been shown as Rs.13,196,538 in the financial statements.

1.3.2 Unreconciled Control Accounts

According to the financial statements relating to 11 Items of Accounts, the total of the balances had been Rs.17,469,903 and according to the subsidiary registers, the total of the balances had been Rs.17,149,410, thus indicating a difference of Rs.828,429.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- i. Out of the amount of Rs.76,900,778 receivable as at end of the year under review, the receivable amount older than one year amounted to Rs.49,866,109. Moreover, action had not been taken to settle the advances totalling Rs.231,087 granted from the year 1989 to the year 2010.
- ii. A sum of Rs.18,718,312 out of salaries/allowances of the staff made permanent in the service in January 2015, had been receivable from the Department of Local Government.
- iii. Out of the employees' loan advances amounting to Rs.4,449,080 recoverable as at 31 December 2016, the amount older than 3 years recoverable from 60 persons who had retired, vacated the post and deceased, had been Rs.487,546.

(b) Accounts Payable

- i. The value of balances of accounts payable as at 31 December 2016 had been Rs.34,172,803.
- ii. Stamp duty, value added tax and goods and services tax amounting to Rs.4,581,926, Rs.1,874,996 and Rs.289,388 respectively collected by the Sabha

in preceding years, had not been paid to the Commissioner General of Inland Revenue.

1.3.4 Lack of Evidence for Audit

Evidence for the confirmation of balances of assets and liabilities totalling Rs.199,814,200 relating to 06 Items of Accounts, had not been made available to Audit.

1.3.5 Non-compliance with Laws, Rules, Regulations, Management Decisions etc.

The following instances of non-compliance were observed.

Reference to Laws, Rules, Regulations, Management Decisions -----	Non-compliance -----
(a) Pradeshiya Sabha Act, No.15 of 1987 -----	
Sections 129(2)(b) and (f), 150(4) and 158	(i) Action had not been taken to recover rates, acreage taxes, lease rents, license fees, court fines, stamp duties and salary reimbursements that should be recovered by the Pradeshiya Sabha. (ii) Legal action had not been taken against defaulters of License fees, rates and acreage tax and further action had not been taken to seize their properties.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka -----	
(i) Financial Regulation 371(5)	Sub-Imprest totalling Rs.251,087 granted in 21 instances from the year 1989 to the year 2016 had not been settled even by 31 December 2016.
(ii) Financial Regulation 571	Lapsed deposits over 02 years, valued at Rs.520,366 had not been taken to the revenue of the Sabha.

02 Financial Review

2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 had been Rs.23,079,818 as compared with the corresponding excess of revenue over recurrent expenditure of Rs.23,005,549 for the preceding year.

2.2 Analytical Financial Review

The increase in other revenue not generated in the Sabha had been the main reason for the improvement in the financial result by Rs.74,269.

2.3 Revenue Administration

2.3.1 Performance in Collection of Revenue

The following matters were observed.

- (a) Out of the estimated revenue amounting to Rs.92 million for the year under review, only a sum of Rs.40 million had been collected.
- (b) Out of the arrears of revenue amounting to Rs.35,023,043 as at the commencement of the year under review, only a sum of Rs.3,210,586 had been recovered.
- (c) The overall arrears of revenue receivable as at the end of the year under review, had been Rs.42,113,876.

2.3.2 Rates and Taxes

The following matters were observed.

- (a) An arrears amounting to Rs.8,244,168 was recoverable as at the end of the year and a sum of Rs.6,885,171 remained in arrears over many preceding years, included therein.
- (b) Assessments on rates and taxes had not been revised over a period of 05 years.

2.3.3 Lease Rents

The following matters were observed.

- (a) The revenue from lease rentals for the year under review totalled Rs.5,361,117 and out of that, only a sum of Rs.3,577,992 had been recovered during the year under review.
- (b) Action had not been taken to recover arrears of stall rents amounting to Rs.231,210 and Rs.105,167 from stalls No.10 and No.12 respectively, located at the Kalpitiya new bus station.
- (c) Action had not been taken to recover arrears of lease rentals of Rs.1,444,267 recoverable from the area of the authority of Kurigngnampitiya sub-office.

2.3.4 Other Revenue

The following matters were observed.

- (a) Only a sum of Rs.50,772 out of acreage taxes totalling Rs.803,388 relating to the year under review had been recovered during the year.
- (b) A survey had not been carried out for the specific identification of lands from which acreage taxes had to be recovered.

2.3.5 Stamp Duties

Stamp duties amounting to Rs.10,432,532 should have been recovered from the Chief Secretary of Provincial Council as at the end of the year under review.

3. Operating Review

3.1 Performance

Performance Report for the year 2016 had not been prepared.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Twenty one units of lands and buildings owned by the Sabha had not been valued and brought to account.
- (b) Action had not been taken to compute and account the stamp duties for the second half year of the year under review.
- (c) Action had not been taken to pay the contribution of Local Government Pensions Fund amounting to Rs.1,968,085 as at 31 December 2016.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) Monthly bank reconciliation statements had been erroneously prepared by indicating a sum of Rs.21,109 as a balance in hand for balancing the monthly bank reconciliations of the Current Account No.0002890535.
- (b) Action had not been taken to operate or close the Current Account No.2897245 which had become dormant with Rs.29,838.

3.4 Identified Losses

The following matters were observed.

- (a) Losses had been sustained due to misplace of 01 "Canopy Hut" and 94 library books.
- (b) Hundred and fifteen flag poles had been taken away by 08 persons of Political Authority, thus indicating a loss of Rs.147,344.

3.5 Idle and Underutilized Assets

Nine motor vehicles and an electronic balance had remained idle over a period between 01 and 05 years.

3.6 Solid Waste Management

About 03 Tonns of garbage collected daily within the Kalpitiya Urban Council, is used for the recycling process. However, there was a risk of environmental issues arising due to disposal of about 07 Tonns of other garbage collected daily in the area, to an open land.

3.7 Human Resources Management

The following matters were observed.

- (a) The post of Secretary of the Sabha had been vacant since many years.
- (b) Six and 03 vacancies and 05 and 25 excesses existed in secondary and primary levels respectively.

04. Accountability and Good Governance

Audit and Management Committee

According to the Audit Committee Letter No.ඩ/ප/ලේ/05/03 dated 05 October 2010 of the Chief Secretary of the North Western Provincial Council, Audit and Management Committee meetings had not been held.

5. Systems and Controls

Weaknesses in systems and controls revealed during the course of audit were brought to the notice of the Pradeshiya Sabha from time to time by my audit queries and special attention is needed in respect of the following areas of control.

System	Observation
(a) Control of Fixed Assets	Non-maintenance of a Fixed Assets Register in an updated manner and failure in holding annual survey in respect of lands and buildings.
(b) Control of Revenue	Failure in taking action according to provisions of the Pradeshiya Sabha Act in respect of recovery of arrears of revenue. .
(c) Accounting	Non-maintenance of subsidiary registers in an updated manner.
(d) Waste Management	Failure in using all garbage generated in the area of authority for the recycling process and deploying employees in excess in production activities of compost.
(e) Human Resources Management	(i) Appointing a Revenue Inspection Officer and a Driver as Officers In Charge in Kurignnampitiya and Kadayamottei sub-offices respectively.
(f) Control of Motor Vehicles	(ii) Failure in taking action to fill vacancies. Non-presentation of daily running charts and monthly performance summary reports of all motor vehicles owned by the Sabha to Audit and non-disposal of all unserviceable motor vehicles not in running condition.
(g) Advances	Unsettlement of advances and delays in settling them.