

Kalutara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted on 27 March 2018 and amended Financial Statements on 18 September 2018 for the audit, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

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 Kalutara Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a) Direct credits amounting to Rs. 18,040,677 had not been recorded as cash receipts. Due to that, the balance of the general cash account had been understated in a sum of Rs. 18,040,677 as at December 2017 while balance of revenue in arrears account had been overstated to the extent of that value.
- (b) Staff loans installment amounting to Rs. 481,937 recovered during December 2017 of the year under review had been accounted as cash received during the year 2018. Due to that, staff loans balance had been overstated in a sum of Rs. 481,937.
- (c) Although the value of machinery and equipment purchased relevant to the year under review was Rs. 2,880,960, it had been capitalized as Rs. 2,460,910 in the financial statements. Due to that, Machinery and Equipment and Contribution from Revenue to Capital Outlay Account relevant to the year under review had been under stated at the rate of Rs. 420,050.
- (d) Accumulated Fund had been credited in a sum of Rs. 400,000 having debited the Works Creditors account in order to correct the error pointed out in paragraph 2.2.1 (k) of the audit report for the year 2016. Due to that, Work Creditors had been understated in a sum of Rs. 400,000, while Accumulated Fund had been overstated in a sum of Rs. 400,000.

- (e) Although purchases of library books relevant to the year under review amounted to Rs. 264,796, it had been shown as Rs. 129,703 in the financial statements. Due to that, Library Books and Contribution from Revenue to Capital Outlay Account had been understated at the rate of Rs. 135,093.
- (f) The sum of Rs. 87,561 recovered from employees who obtained no-pay leave had been shown deducted from salaries and allowances as a refund of expenditure for the year under review. Due to that, expenditure for the year under review had been understated in a sum of Rs. 87,561.
- (g) Expenditure for the year under review had been understated in a sum of Rs.75,000 due to lack of provision for the lease rent payable amounting to Rs. 75,000 for 03 months of the year 2017 for Vaskaduwa Library.
- (h) Staff Loans interest amounting to Rs. 54,857 relevant to the month of December of the year under review had not been accounted as revenue of the year under review. Due to that, revenue for the year had been understated in a sum of Rs. 54,857.
- (i) Although the Works Creditors relevant to the year under review was Rs. 44,395,170, it had been shown as Rs. 44,366,170 in the financial statements. Due to that, Works Creditors and Works Expenditure had been understated at the rate of of Rs. 29,000.
- (j) Although the Works Debtors value relevant to the year under review was Rs. 19,289,945, it had been shown as Rs. 19,260,945 in the financial statements. Due to that, Works Debtors and Works Grants had been understated at the rate of of Rs. 29,000.
- (k) General Stores balance amounting to Rs.45,762 and General Stores Expenditure amounting to Rs.27,929 at the end of the year under review had been understated.
- (l) Creditors provision had not been made for a sum of Rs. 26,638 payable to the Electricity Board for preparing specifications and providing consultancy service for the purchase of Electricity Generators. Due to that, expenditure for the year and sundry creditors had been understated to the extent of that value.
- (m) Creditors provision had not been mated for sum of Rs.22,874 for arrears of salaries payable relevant to the month of December 2017. Due to that, expenditure for the year and sundry creditors had been understated at the rate of Rs. 22,874.
- (n) Although the value of library books donations relevant to the year under review was Rs.101,565, it had been shown as Rs.89,240 in the financial statements. Due to that, Library Books and Capital Grants had been understated at the rate of Rs.12,325.
- (o) At the end of the year under review, the balance of electrical stores stock had been understated in a sum of Rs. 15,100 while electrical good expenditure had been overstated in a sum of Rs. 15,100 in the financial statements.
- (p) The cost of fixed assets and inventory goods auctioned during the year 2017 had not been assessed and removed from fixed assets registers and inventory registers.

### 1.3. 2 Non-reconciled Accounts

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 A difference of Rs.6,196,458 was observed between the balances amounting to Rs. 34,567,343 relevant to 04 items of accounts shown in the financial statements and the balances shown in the schedules relevant to those.

### 1.3.2 Accounts Receivable and Payable

#### Accounts Payable

Value Added Tax and Nation Building Tax payable as at December 2017 were Rs.285,883 Rs.9,061 respectively.

### 1.3.3 Lack of Written Evidence Required for Audit

Nine items of accounts totaling Rs. 108,266,562 could not be satisfactorily verified/vouched in audit due to non-remission of Register of Fixed Assets, Debtors Registers, Advance Registers, Creditors Registers, Deposits Register and schedules.

### 1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

	Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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		Rs.	
(a)	Pradeshiya Sabha Act No. 15 of 1987 i. Section 149		A tax up to one percent had not been recovered from total revenue of hotels, restaurants and lodging houses registered in the Sri Lanka Tourist Board for the functions of Tourism Development Act No. 14 of 1968.
	ii. Section 160		Properties had not been seized as the last resort for recovery of rates.

(b)	Pradeshia Sabha and (ative) Rules Rule 218		All Lands and Buildings belong to the Sabha Had not been inspected once in every year
(c)	Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
	i. Financial Regulation 396 (d)	2,556	While a full survey of vehicle tools had not been carried out, vehicles had not been examined when handing Action had not been taken with regard to 02 cheques issued, but not presented for payment for more than 06 months.
	ii. Financial Regulations 571 (1) and (2)	4,266,777	Action had not been taken to prepare list of all lapsed deposits and credit time elapsed deposits to revenue at the end of each half year.
(d)	Public Administration Circular No. 2030/16 dated 29 December 2016 Para graph 3.1		Fuel consumption tests of all vehicles belong to the Sabha had not been carried out.

## 2. 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 2017 had been Rs.12,410,156 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. .44,588,304 in the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under and preceding as furnished are shown below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Balance as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Balance <sup>as at</sup> 31 December
	Rs	Rs.	Rs.	Rs.	Rs	Rs.	Rs.	Rs.
(i) Rates and Taxes	9,089,547	10,369,403	9,509,836	4,272,342	9,091,147	10,234,254	11,872,642	4,618,480
(ii) Rent	240,000	229,800	270,300	12,000	150,000	156,000	373,500	52,500
(iii) License Fees	602,000	3,927,666	3,927,666	-	2,000,000	1,966,395	1,966,395	-
(iv) Other	13,000,000	13,000,000	39,781,266	69,761,925	41,000,000	41,000,000	11,930,452	141,041,660

#### 2.2.2 Performance in Revenue Collection

While overall arrears of revenue at the beginning of the year under review amounted to Rs. 145,712,640, billing relevant to the year had been Rs.27,526,869. Receipts, write-off and adjustments during the year amounted to Rs. .99,193,242. While overall arrears of revenue as at 31 December 2017 amounted to Rs. 74,046,267, a further sum of Rs. 66,118,558 was outstanding from these arrears as at 31 July 2018.

#### 2.2.3 Rates and Taxes

##### (a) Rates

- (i) While Rates in arrears at the beginning of the year under review were Rs. 4,548,410, out of that a sum of Rs. 3,782,136 or 83 percent only had been recovered during the year.

- (ii) While Rates billings for the year under review were Rs.9,286,281, out of that, a sum of Rs. 6,569,574 or 71 percent only had been recovered during the year. While Rates in arrears at the end of the year amounted to Rs. 4,267,702, out of that, a sum of Rs. 975,659 was relevant to prior years while recurrent arrears amounted to Rs. .3,292,043.
- (iii) Out the balance of Rates in arrears at the end of the year under review, balances outstanding for more than 10 years amounted to Rs. 528,298 while balances outstanding between 5 years and 10 years amounted to Rs. 638,010.

(b) License Fees

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- (i) When recovering license fees up to one percent of license fees from hotels and testaments registered in the Tourist Board, accounts for the year 2017 certified by a chartered accountant had not been obtained from 10 hotels.
- (ii) While Trade License Fees for the year 2016 from Shalimar Hotel had been understated in a sum of Rs. 75,103, Trade License for the year 2017 had not been issued.

2.2.4 Three wheeler Revenue.

- (a) Survey had not been carried out with regard to Three-Wheeler vehicles in the area of the authority of the Sabha.
- (b) According to the by-laws published vide extra ordinary Gazzette Notification dated 29 September 2011 the maximum number of three Wheel vehicles to be parked in each park in the area of the Kalutara Pradeshiya sabha had been stated.Licenses had been issued for parking three wheeler vehicle in excess of that number.

2.2.5 Court Fines and Stamp Fees

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Court Fines amounting to Rs. 4,000,000 Stamp Fees amounting to Rs. 65,761,925 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

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3.1 Performance

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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

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Although by-laws have to be imposed under Section 126 of the Pradeshiya Sabha Act in order to perform 16 main functions, by-laws had been imposed only for 04 functions even up to 31 December 2017.

(b) Action Plan

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Although 50 Sabha Works amounting to Rs. 24,215,081 had been performed during the year 2017, any of those works had not been included in the action plan.

(c) Solid Wastes Management

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Garbage collected in the area of authority of the Sabha are handed over to the Kalutara Urban Council. Following matters were observed in that connection.

- (i) Although expenditure amounting to Rs. 2,143,799 had been incurred during the year under review for disposal of garbage, garbage tax had not been imposed to cover that cost.
- (ii) By-laws had not been imposed for solid wastes management.

(d) Sustainable Development Targets.

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The Sabha was not aware of sustainable development targets - 2030. Due to that, long term planning for uplifting living condition and health of the people in the area of authority of the Sabha through global index had not been prepared even as at 11 July 2018.

3.2 Human Resources Management

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- (a) A female management assistant in grade I had been appointed to cover the duties of the post of secretary.
- (b) There were vacancies in the post of a technical officer, post of a peon, four posts of field laborers, post of a crematorium operator assistant and two posts of pre-school teachers.
- (c) There was a surplus of 05 employees for 03 posts in secondary level and three employees for 02 posts of tertiary level.
- (d) Five employees had been recruited for casual and substitute posts.

3.3 Management Inefficiencies

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Issue of Counterfoil Books

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- (i) While counterfoil books issued from stored for Vaskaduwa Sub-office are not recorded in the counterfoil books register in that office, when issuing books those had not been issued according to serial orders.

- (ii) While a register of counterfoil books had not been maintained in Vaskaduwa Sub-office, particulars relating counterfoil books issued to officer collecting cash in the fields and returned were not available.

### 3.4 Assets Management

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#### 3.4.1 Non Documentation of Assets

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Furniture and Fittings valued at Rs. 356,250 and Machinery and Equipment valued at Rs. 2,880,960 purchased during the year under review had not been recorded in the Register of Fixed Assets. There was no Register of Fixed up dated as at 31 December 2017

#### 3.4.2 Idle and underutilized Assets

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- (a) Although electricity generator received during the year 2007 from the Distress Management Centre was repaired during the year 2014 having spent a sum of Rs. 77,500, it had remained in idle condition from that date to 15 July 2018.
- (b) A quantity of 45 Tar Barrels of type 80/100 valued at Rs. .591,300 purchased on 15 December 2016, had been kept in the stores throughout the year without being utilized for any work.

### 3.5 Procurements

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#### 3.5.1 Contract Administration

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##### Construction of Gankanda Service Centre

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Although the Project for Construction of Gankanda Service Centre, estimated for a sum of Rs. 4,375,538 on the basis of decentralized provisions had been commenced during the year 2014, construction work had not been finalized even up to December 2017.

- (a) Although work amounting to Rs. 2,944,018 had been completed and a sum of Rs. 1,076,500 had been paid as final payment, work of the building had not been completed even as at 17 September 2018.
- (b) Although the final payment had been made, electricity supply to the building had not been provided. While sanitary facilities too had not been provided to that building, as a result, the building had remained idle throughout a period of about one year.
- (c) Two half inch beef taps, a wash basin, 11 energy saver bulbs and 04 ceiling fans purchased for fixing to this building remained idle in the stores.



#### 4. Accountability and Good Governance

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##### 4.1 Budgetary Control

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Variances in a range from 15 percent to 220 percent between the budgeted revenue and actual revenue, and variances in a range from 21.3 percent to 82 percent between the budgeted expenditure and actual expenditure were observed. Therefore, the budget had not been made use of as an effective tool of management.

##### 4.2 Non-implementation of the decisions of the Provincial Accounts Committee.

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Following orders given by the Provincial Accounts Committee held on 29 March 2018 had not been implemented even as at 15 July 2018.

- (a) Submission of a report relevant to the methodology followed together with full documents with regard to write-off of trade licenses amounting to Rs. 26,685, business tax amounting to Rs. 60,760, and industrial tax amounting to Rs. 43,070 referred to in paragraph 2.2.2 (c) of the Auditor General's Report for the year 2011.
- (b) Submission of a correct report relevant to tyres and batteries removed from vehicles when fixing 47 tires and 09 batteries purchased during July 2011 to September 2011.
- (c) Submission of a report after auctioning having obtained a valuation report on the Road Roller in defunct condition since 29 June 2009 referred to in paragraph 2.3 of the Auditor General's Report for the year 2012.
- (d) Submission of a report with regard to opening of Ataxia Crematorium, by taking decision during the first Sabha session, referred to in paragraph 2.5 of the Auditor General's Report for the year 2012.
- (e) Submission of a report after conducting an inquiry again with regard to the accident occurred to vehicle 251-2837 referred to in paragraph 2.6 (e)(iv) of the Auditor General's Report for the year 2012.

#### 5. Systems and Controls

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Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System -----	Deficiency -----
(a) Accounting	i. Instances of omissions, under/over statements in the accounts ii. Non-maintaining updated registers.
(b) Assets and Properties	i. Non-documentation. ii. Non-assure security.
(c) Revenue Administration	Inadequate follow up action for recovery of tax arrears.
(d) Debtors / Creditors	i. Non-preparation of schedules. ii. Non-preparation of age analysis.
(e) Staff Management	i. Not obtaining cadre approval. ii. Failure to fill vacant posts.
(f) Budgetary Control	i. Material variances between the budget and actual expenditure. ii. Unrealistic revenue estimates.