

Buttala Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented for audit on 26 February 2020 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 15 June 2020 and 23 June 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Buttala Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the Qualified Opinion

(a) Accounting Deficiencies

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|--|
| (i) The expenditure of Rs.171,242 had not been accounted for the year under review. | The Accounts should be prepared accurately. | Inform that the payment vouchers had been missed by accounting for the expenses made in January therefore the provisions for the debtors had not been allocated and the accounts would be corrected in the future. |
| (ii) The Salary in arrears that should be allocated provisions for the year under review had been over accounted by Rs.29,445. | The Accounts should be prepared accurately. | The register of the salary reimbursements had been entered incorrectly therefore the accounts would be corrected in the future. |
| (iii) The value of 11 cemeteries owned by the Sabha had not been valued. | The Accounts should be prepared accurately. | Inform that it would be accounted after entering to the Register of Fixed Assets. |

(b) Lack of Evidence for Audit

Audit Observations

Recommendations

Comments of the Accounting Officer

Valuation Reports on Lands and Buildings of Rs.302,102,257, Files of 02 works valued Rs.705,816 and the time analyses on the Rates in arrears of Rs.2,082,535 and 70 General Deposit balances of Rs 3,728,695, had not been rendered to the audit.

Evidence should be furnished to confirm the balances declared in the financial statements.

Valuation Reports would be obtained in the future and Inform that the Subject Officer had been advised to issue time analyses.

1.4 Non Compliances

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

| Reference to Laws, Rules, Regulations and Management Decisions | Non Compliances | Recommendations | Comments of the Accounting Officer |
|---|--|--|---|
| (a) <u>Pradeshia Sabha Act No.15 of 1987</u> | | | |
| (i) Section 19(xii) | 16 Stalls had been given on rent for 30 years from 01 January 2012, without obtaining the approval of the Minister in Charge of the Subject. | Actions should be taken according to the regulations of the Act. | Mention that Clear information is not available to say that approval for renting the stalls for 30 years had been obtained from the Minister. |
| (ii) Section 122 and 126 | The Charges on 182 Hoarding boards of Rs.819,100 within the Authority of the Sabha had not been recovered. | Actions should be taken according to the regulations of the Act. | The Arrears had not been recovered. |

| | | | | |
|-------|---|---|--|--|
| (iii) | Section 139 | The term reports had not been obtained as to assess the annual value of the property to impose rates. | Actions should be taken according to the regulations of the Act. | Inform that term reports had not been obtained so far and actions would be taken to do so in the future. |
| (iv) | Section 158, 162, 163 | The rates in arrears as at 31 December of the year under review of Rs.2,082,535 had not been recovered. | Actions should be taken according to the regulations of the Act. | Inform that the collection of rates had been stopped temporarily because of the pandemic situation; it would be recovered in the future. |
| (b) | <u>The Financial Regulations of Democratic Socialist Republic of Sri Lanka</u> F.R.571 | Actions had not been taken on 02 deposits balances of Rs.70,582 over 02 years. | The deposits over 02 years should be taken to the revenue after informing the payee. | Inform that the files are not available. |
| (c) | <u>Public Administration Circular No.30/2016 on 29 December 2016 Paragraph 3.1</u> | The fuel consumption tests had not been done on 18 vehicles owned by the Sabha. | The fuel consumption tests should be done. | Actions would be taken to do the fuel consumption tests in the future. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented for the year ended 31 December 2019, the excess of revenue over recurrent expenditure of the Sabha amounted to Rs.5,040,151 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.7,208,783.

2.2 Revenue Administration

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

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

| Source of Revenue | 2019 | | | | 2018 | | | |
|---------------------|-------------------|-------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|---------------------------------|
| | Estimated Revenue | Revenue Billed | Revenue Collected | Total arrears as at 31 December | Estimated Revenue | Revenue Billed | Revenue Collected | Total arrears as at 31 December |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| (i) Rates and Taxes | 2,219,792 | 2,230,617 | 1,429,243 | 801,374 | 2,219,792 | 2,231,792 | 1,294,043 | 937,749 |
| (ii) Rent | 6,014,600 | 7,143,427 | 5,629,423 | 1,514,004 | 6,041,600 | 6,730,946 | 6,581,511 | 149,435 |
| (iii) Licence Fees | 1,141,000 | 1,700,202 | 1,700,202 | - | 1,141,000 | 1,570,772 | 1,570,772 | - |
| (iv) Other Revenue | 29,473,500 | 22,056,390 | 11,758,850 | 10,297,540 | 29,473,500 | 22,224,707 | 15,080,568 | 7,144,139 |
| Total | 38,848,892 | 33,130,636 | 20,517,718 | 12,612,918 | 38,875,892 | 32,758,217 | 24,526,894 | 8,231,323 |

2.2.2 Rates and Taxes

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|---|--|
| ----- | ----- | ----- |
| (a) Rs.1,337,433 had not been recovered from the rates income in arrears at the beginning of the year under review of Rs.2,513,581. That amount not recovered had been 53 per cent of the rates in arrears at the beginning of the year under review. | The Arrears in rates should be recovered. | The arrears would be recovered in the future. |
| (b) Rs.762,374 had not been recovered as at 31 December from the billed amount of rates income of Rs.1,979,550 and it had been 38 per cent of the total billed amount. | The Arrears in rates should be recovered. | The arrears would be recovered in the future. |
| (c) Total arrears of Rates exceeding Rs. 10,000 due from 19 rates units as at 31 December of the year under review was Rs. 866,799. | The Arrears in rates should be recovered. | The arrears would be recovered in the future. |
| (d) The rates had been charged on the Valuation made in the year 2007, even though, a Valuation should be done on the property for every 05 years. | The property should be assessed for every 05 years. | The new assessment had been done now and the charges would be recovered from the year 2021. |
| (e) The owners of 539 properties which rates had been assessed, had not been recognized. | The owners should be recognized. | Actions would be taken to enter the register of rates the amendments in names of the property. |

2.2.3 Water Charges

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|---|---|
| The Water charges of Rs.441,523 had not been charged for over one year. | The Arrears in Water Charges should be recovered. | Rs.266,223 had been charged and actions would be taken to recover the rest of the amount in the future. |

2.2.4 Revenue from Telephone Transmission Posts

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|--|
| Charges on 07 Telephone Transmission Posts located within the Authority of the Sabha had not been charged of Rs.114,000 for over one year and Rs.18,000 for the year under review. | The telephone transmission posts revenue in arrears, should be recovered. | Actions would be taken to recover in the future. |

2.2.5 Machinery Rent Income

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|---|---|
| Rent income of Rs. 5,033,718 from renting 09 Vehicles/Machines from the year 2010 to 31 August 2019 had not been recovered in the year under review. | The Arrears income should be recovered. | Several actions had been taken to recover that amount and the legal actions would be taken against the persons who would not be paid. |

2.2.6 Court Fines and Stamp Duty

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|---|---|--|
| Court Fines of Rs.2,520,642 and Stamp Duty of Rs.6,694,172 had not been recovered as at 31 December of the year under review. | The arrears Court Fines and Stamp duty should be recovered. | Rs.414,918 from the arrears in Court Fines and Rs.2,073,133 from the arrears in Stamp Fees had been recovered and the documents had been sent to recover the rest of the amount. |

2.3 Surcharges

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|-------------------------------------|--|
| The outstanding amount of surcharges Rs.720,241 should be recovered out of the Surcharges levied for the year under review as at 31 December according to the regulations of the Pradeshiya Sabha Act from the liable parties. | The Surcharges should be recovered. | Actions would be taken to recover in the future. |

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, public utility services and public thoroughfares, public comfort, convenience and welfare.

(a) By laws

| Audit Observations | Recommendations | Comments of the Accounting Officer |
|--|--|--|
| By laws had not been enacted to complete 20 matters out of 30 main matters under Section 126 of the Pradeshiya Sabha Act as at 31 December of the year under review. | By laws should be enacted for the matters that had not been enacted by-laws. | A by law had been prepared for the vehicle parks and sent to obtain the approval and actions would be taken to embrace the other by laws after they had been published through the Gazette by the Department of Local Government. |

(b) **Solid Waste Management**

Audit Observations

Recommendations

Comments of the Accounting Officer

The Environment protections permits had not been obtained for the Solid Waste Management Centre of the Sabha as at the end of the year under review, even though the processes had been started from the year 2011.

The Environment protections permits should be obtained.

The Field Tests had not been carried out even though the Test Fees had been paid for the Central Environmental Authority.

(c) **Targets of Sustainable Development**

Audit Observations

Recommendations

Comments of the Accounting Officer

The Sabha had not been identified the targets and the indices for measuring the Progress of the Sustainable Development Targets relevant to the Sabha and achieved them, Even though Sabha had been aware of the “Sustainable Development Goals Agenda of United Nations 2030”

Targets of the Sustainable Development and indices to measure the progress of achieving them should be identified and measured.

The responsibility on this subject had been imposed on an Officer.

3.2 Management Inefficiencies

Audit Observations

Recommendations

Comments of the Accounting Officer

(a) **Unauthorized Construction**

Actions had not been taken as at the end of the year under review on 03 out of 04 unauthorized construction identified on 30 October 2018 in Buttala Weekly Fair Premises.

Unauthorized Constructions should be removed.

02 constructions had been demolished and information had been rendered to the Sabha to demolish the other 02 constructions.

(b) **The Accounts Payable**

The loan Installments and the interests of Rs.4,750,901 to the Local Loans Development Fund, other Institutes and 09 persons had not been settled from 2016 to 2018.

Actions should be taken to settle the payable balances.

Rs.3,648,884 had been paid out of the debtors as at the month of April.

3.3 Human Resources Management

| <u>Audit Observations</u> | <u>Recommendations</u> | <u>Comments of the Accounting Officer</u> |
|---|---|---|
| (a) <u>Vacancies in the Staff</u> 17 vacancies relevant for 08 posts had been remained as at 31 December of the year under review. | The vacancies should be filled in the Staff. | The vacancies had been informed monthly to the Commissioner of Local Government. |
| (b) <u>Employee Loans</u> The employee loans from 26 employees of Rs.123,169 had not been recovered from over a year. | The arrears employee loans should be recovered. | Inform that the Audit and management Committee would be informed about the Loan balances that could not be recovered. |

3.4 Operating Inefficiencies

| <u>Audit Observations</u> | <u>Recommendations</u> | <u>Comments of the Accounting Officer</u> |
|---|--|---|
| (a) <u>Arrears in Property Tax</u> Rs.1,176,445 of rent that should be charged on 06 Properties incurring Weekly Fair, Fish Stalls, Mutton Stalls and Chicken Stalls had not been recovered from the year 1988 to 2012. | The arrears in Property tax should be recovered. | Some of the lessees had been diseased now. |
| (b) <u>The Rent from the Stalls demolished</u> Rent of Rs.181,598 had not been recovered from 14 Old Stalls demolished owned by the Sabha. | The arrears in Property tax should be recovered. | The Sabha had decided to write off the amounts after obtaining the approval of the Minister in Charge of the Subject. |
| (c) <u>Weekly Fair Rent</u> The arrears as at 31 December of the year under review, rent on leasing out the Buttala Weekly Fair for the year under review of Rs.1,193,384 and the late penalty of Rs.1,358,640 had not been recovered. | The arrears in Property tax should be recovered. | The lessee had been informed to recover the arrears and if not legal actions would be taken against him. |

(d) Stall Rent

An income of Rs.6,987,000 had been lost for the Sabha fund as at 31 December of the year under review, because of not charging the monthly rent assessed by the Chief Valuer of the Uva Province from 67 Stalls that had been given on long Term rent by the Sabha.

The assessed rent should be charged.

Actions would be taken to charge the assessed rent in the future.

3.5 Assets Management

| <u>Audit Observations</u> | <u>Recommendations</u> | <u>Comments of the Accounting Officer</u> |
|--|--|--|
| (a) <u>Not Acquiring the Possession of Lands</u> 30 Lands owned by the Sabha in several sizes had not been surveyed and actions had not been taken to acquire the legal possession of 52 Lands. | Legal possession of the Lands owned by the Sabha should be acquired. | Actions would be taken to survey and acquire the lands in the future. |
| (b) <u>Not carrying out a survey on the Lands and Buildings</u> A proper survey had not been carried out on the Lands and Buildings for the year under review. | A survey should be carried out on the Lands and Buildings. | Actions would be taken to carry out a survey on the Lands and Buildings in the future. |
| (c) <u>Books not returned</u> 1051 books cost of Rs.196,551 had given to the readers that belongs to 03 libraries owned by the Sabha had not been returned or claimed money. | The books that had given should be obtained. | The librarians had been informed to obtain the books back again. |
| (d) <u>Vehicle Utilization</u> 05 machines and vehicles owned by the Sabha had been run for 559.7 metre hours from 01 January 2019 to 31 August by consuming fuel of Rs.520,604 | The estimates and the Work Completion Reports should be prepared. | Inform that the estimates and the Work Completion Reports would be prepared in the future. |

and completed 68 works according to its running charts but the finished work completion reports and the estimates for those works had not been prepared.

(e) Preparing the Road Inventory and Publishing in the Gazette

Actions had not been taken to publish the roads and thoroughfares in the gazette according to the section 24(1) Pradeshiya Sabha Act No.15 of 1987, even though it had been paid Rs.494,396 in the year 2017 to survey the roads owned by the Sabha and made plans.

Actions should be taken to publish the notices in the Gazette on the roads and thoroughfares.

Actions would be taken to update the roads inventory and survey the roads and publish in the Gazette.

4. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Sabha had not been carried out a proper Internal Audit for the year under review.

Recommendation

A proper Internal Audit should be carried out.

Comments of the Accounting Officer

Actions would be taken to carry out an Internal Audit in the future.

4.2 Audit and Management Committee

Audit Observation

Audit and Management Committee had not been held for the year under review.

Recommendation

Audit and Management Committee should be held in the Sabha.

Comments of the Accounting Officer

Audit and Management Committee had been held at the office of the Assistant Commissioner of the Local Authorities covering all the Provincial Councils and actions would be taken to hold Committees from the year 2020.

