

**Katharagama Pradeshiya Sabha
Monaragala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 30 July 2014 and the financial statements to the preceding year had been presented on 02 December 2013. The report of the Audit General for the year under review was issued to the Chairman of the Sabha on 09 October 2014.

1.2 Opinion

Except for the effects on the financial statements of the matters referred to in my report , the financial statements have been prepared in accordance with Sri Lanka Public Sector Accounting Standards and give a true and fair view of the state of affairs of the Katharagama Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Finger print machine valued at Rs. 88,500 purchased during the year under review had not been accounted under fixed assets.
- (b) Although salary reimbursements amounting to Rs. 113,000 receivable as at beginning of the year under review had been received during the year under review ; it had not been adjusted to the salary reimbursements receivable account.
- (c) Action had not been taken to assess the value of 800 unpriced books of the Library of the Sabha and to brought to account.
- (d) Provision had not been made in the accounts in respect of expenditure amounting to Rs. 103,122 payable as at end of the year under review.
- (e) According to the financial statements , the creditors balance as at end of the year under review amounted to Rs. 2,750,865 and according to the creditors register it was Rs. 2,577,196 showing a difference of Rs. 173,669.
- (f) According to the statement of finance and operations prepared as at end of the year under review the total operational revenue was Rs. 41,390,148. But , it had been

erroneously mentioned as Rs. 41,350,148. Therefore , the deficit for the year under review had been overstated by Rs. 40,000.

- (g) Materials valued at Rs. 200,848 purchased for the construction of temporary toilets to facilitate the “ Esala ” festival of the year under review had not been recorded in the stock registers and brought to account.
- (h) Provisions had not been made in the accounts for the contributions of the Local Government Pensions amounting to Rs. 14,594 payable as at end of the year under review.
- (i) Provisions had not been made in the accounts for audit fees amounting to Rs. 302,657 payable for the previous years and the audit fees payable for the year under review.

1.3.2 **Unreconciled Control Accounts**

The total of the balances relating to 05 items of accounts amounted to Rs. 42,766,798 as per financial statements and it was Rs. 43,654,715 as per registers.

1.3.3 **Suspense Account**

The difference of Rs. 16,971 of the debit balance of the financial position as at end of the year under review had been debited to a suspense account.

1.3.4 **Lack of Evidence for Audit**

Six items of assets totaling Rs. 14,410,680 could not be satisfactorily vouched in audit due to the non – submission of required information to audit.

1.3.5 **Non – compliance with Laws , Rules and Regulations**

Non – compliances with following laws , rules and regulations were observed in audit.

Reference to Laws , Rules and Regulations etc.	Non – compliance
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(a) Pradeshieya Sabha Act No. 15 of 1987 – Section 158 and 159	Action had not been taken to recover revenue in arrears totaling Rs.35,806,268 as at end of the year under review.
(b) Financial Regulations of the Republic of Sri Lanka F.R. 1646	Fuel to the value of Rs. 1,732,318 had been used for the Tractors and Bowsers during the year under

review. But , action had not been taken to furnish the daily running charts and monthly summaries to the Auditor General.

- (c) Establishments Code – of the Republic of Sri Lanka – Section 1.6 and 4 of Chapter XXIV

Action had not been taken to recover employees loans amounting to Rs. 18,400 recoverable from 12 officers who had served in the Sabha and left the service, transferred and deceased.

1.3.6 **Transactions Not Supported by Adequate Authority**

The sum of Rs. 29,465 receivable in respect of hoardings as at end of the preceding year had been written – off during the year under review and the approval of the Commissioner of Local Government had not been obtained for the above.

2. **Financial Review**

2.1 **Financial Results**

According to the financial statements presented , the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs. 129,795 as against the excess of revenue over recurrent expenditure amounting to Rs. 3,305,728 for the preceding year and the net decrease of the financial result was Rs. 3,435,523.

2.2 **Revenue Administration**

2.2.1 **Rates and Taxes**

Action had not been taken to revise the rates after year 1997 as required by Section 140 (5) of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.2 **Lease Rent**

Action had not been taken to assess the stall rent through the Department of Valuation as required by Section 136 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.3 **Other Revenue**

(a) Ten blocks of land from No. 19 to 28 at Saddhatissa Lane had been given to low income earners at Rs. 15,000 for erection of sales huts during the period of “ Esala ” festival – 2013. Nevertheless , a field inspection carried out on 15 August 2013 revealed that these blocks of land given to low income earners had been given to other parties by them at higher amounts.

(b) The Sabha had called for tenders to lease the plots of land to erect temporary sales huts and after that the plots for which no offers received had been auctioned. But , a

procedure had not been adopted to give the ultimately remained plots of land and it had been decided to give the remained lands at Rs. 5,000 each on a Sabha decision. A field inspection carried out on 15 August 2013 revealed that these plots of land had been given to other parties at higher amounts.

- (c) Although the Sabha had allocated sites to sponsors of the "Esala" festival of Ruhunu Maha Kataragama Devala -2013 for sales huts and erect flags, action had not been taken to recover the charges due from those sponsors.
- (d) Parking charges at Rs.250 per year had been recovered from three wheel owners without passing any by law.
- (e) Action had not been taken as required by Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 to enact by laws and recover a charge not exceeding 1% of the income of year prior to the relevant year from 06 hotels/ lodges situated within the area of the Sabha that had been registered or approved by the Sri Lanka Tourism Promotion Board for the activities of the Tourism Promotion Act No. 14 of 1968.

2.2.4 Court Fines

Court fines receivable as at 31 December of the year under review from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,500,000.

3. Operating Review

3.1 Operating Inefficiencies

- (a) Necessary action had not been taken in respect of 1898 library books valued at Rs.151,582 not made available for the verification during 2012 and 2013.
- (b) Action had not been taken to get settle the advances amounting to Rs.59,064 given to the employees at 04 instances during the preceding year.
- (c) According to Section 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power, the Local Authorities should act as a service supplier for operation and maintenance of street lamps on the basis of payment of charges. Nevertheless, without acting accordingly, an expenditure of Rs.85,258 had been incurred from the Sabha funds for the above activities during the year under review and action had not been taken on system of installation of street lamps, type of lamps to be fixed, quantity of lamps etc. as required by the above letter.
- (d) Action had not been taken to settle " Esala" festival incentive allowances amounting to Rs.467,877 payable for the years 2011 and 2012.

- (e) Pradeshiya Sabha had recruited temporary labourers during 2012 and 2013 for kataragama Esala festival activities and payments amounting to Rs.2,994,395 for them. The places where the labourers attach ; the requirement of labourers for the said places, preparation of duty shifts for attachment of labourers; preparation of a supervising procedure to monitor whether the labourers work during the time allocated for them; preparation of a plan including the importance of each activity , their necessity, the numbers of labourers employ had not been done, and temporary identity cards with numbers allocated to the temporary employed labourers also had not been issued. Therefore, it was not confirmed to audit whether the money had been effectively spent.
- (f) The Sabha had not carried out maintenance of 04 houses at Dhammarakkhitha Lane owned by the Sabha: encroachers had not been removed and rent had not been recovered duly.

3.2 **Identified Losses**

- (a) Surcharges amounting to Rs. 99,156 had been paid during the year under review in respect of the period 2005 to 2011 due to delay in sending Format 11 returns while paying contributions to the Employees Trust Fund.
- (b) Action had not been taken to obtain the revenue collection of Rs.248,000 relating to 24 revenue receipt books of Rs.40 and Rs.60 issued for 07 vehicle parks from 19 April 2011 to 03 January 2014. Further, the counterfoils of the said receipt books also had not been returned to the Sabha.

4. **Accountability and Good Governance** **Budgetary Control**

Significant variances were observed between the income and expenditure estimated through the budget prepared by the Sabha for the year under review and the actual income and expenditure of the year. Therefore, the budget had not been made use of as an effective tool of controlling income and expenditure.

5. **Systems and Controls**

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration