

Kotapola Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 26 March 2014 and the financial statements for the preceding year had been presented on 04 April 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 29 December 2014.

2.1 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 Kotapola Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

The following matters are observed.

(a) According to the Circular No.PED/54 of 19 January 2010 of the Director General of Public Enterprises, the Local Authorities should prepare the financial statements in accordance with the Sri Lanka Public Sector Accounting Standards from 01 January 2011. Nevertheless, those Standards had not been followed.

(b) The cash flow statement had not been presented along with the financial statements of the year under review.

1.3.2 Accounting Policies

The accounting policies followed in the preparation of those accounts had not been disclosed in the financial statements presented for the year under review.

1.3.3 Accounting Deficiencies

The following matters were observed.

(a) A sum of Rs.28,495 brought forward as rates and taxes as at 31 December 2013 had been set off against the outstanding amount instead of being shown in the financial statements.

(b) Even though the court fines relating to the year under review amounted to Rs.2,027,316, a sum of only Rs.811,886 had been credited to the warrant charges and fines Head of the Income and Expenditure Account. Thus, a sum of Rs.1,215,430 had been understated in accounts.

(c) Out of the value of equipment purchased on 15 March 2013 amounting to Rs.81,480, only a sum of Rs.31,480 had been paid during the year. The unpaid sum of Rs.50,000 had been

credited to the expenditure of the year under review, while the provision for creditors had not been made.

- (d) A sum of Rs.35,800 paid as operator allowances during the year 2013 for the maintenance of street lamps had not been credited to the Expenditure Head of Salaries and Allowances. Instead, it had been credited to the Expenditure Head of Transport, Utility and other Services.
- (e) Four balances of account valued at Rs.518,682 which do not come under investments had been brought to account as investments as at the end of the year under review.

1.3.4 Unreconciled Control Account

The total of four items of accounts shown in the financial statements as at the end of the year under review amounted to Rs.44,083,088 while the balances of those accounts totalled Rs.32,651,343 according to the supporting documents. Thus, the difference amounted to Rs.11,431,745.

1.3.5 Suspense Account

The debit balance of Rs. 1,154,043 in the Suspense Account shown in the balance sheet by the end of the year under review had been brought forward without being settled.

1.3.6 Accounts Receivable and Payable

The following matters are observed.

- (a) The total of the balance of accounts receivable for over one year as at 31 December 2013 amounted to Rs.9,272,118.
- (b) The total of the balance of accounts payable for over one year as at 31 December 2013 amounted to Rs.9,317,103.

1.3.7 Lack of Evidence for Audit

Evidence relating to 05 items of account valued at Rs.23,040,565 had not been made available to audit.

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

Instances of non-compliance with laws, rules, and regulations observed in audit are given below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
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(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules Rule 218	Even though the Chairman should carry out a survey of lands and buildings at least once a year, action had not been taken accordingly.
(b) Treasury Circular No.2002/02 of 28 November 2002	A Register of Fixed Assets for computer accessories and software had not been maintained.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.5,596,838 as compared with the excess of revenue over recurrent expenditure amounting to Rs.5,070,615 for the preceding year.

2.2 **Revenue Administration**

Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue relating to the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	1,093	1,017	461
Rent	4,451	5,115	1,160
Other Revenue	26	25,672	44,670

2.2.1 **Court Fines and Stamp Fees**

Court fines amounting to Rs.271,334 had been receivable from the Chief Secretary of the Provincial Council and other authorities as at the end of the year under review.

2.2.2 **Water Charges**

A sum of Rs.687,149 had been recoverable as at the end of the year under review from consumers who were provided with water facilities by the water project implemented within the area of the Sabha.

3. **Operating Review**

3.1 **Management Inefficiencies**

(a) An agreement had not been entered into with the Ceylon Electricity Board for the reimbursement of aid for the maintenance of street lamps, thus a sum of Rs.162,648 had not been reimbursed for the period from the year 2009 up to 2013. Further, the Sabha had not paid attention to Paragraph 1.2 of the Circular No. PE/01/01 and No.17 of 2010 dated 17 August 2010 issued by the Secretary to the Ministry of Power and Energy.

(b) A court case had been filed to recover entertainment tax amounting to Rs.419,132 receivable by the Sabha from a film hall at Deniyaya for a period of 10 years from May 1995 up to July 2005. Nevertheless, the representatives of the Sabha had not appeared before courts, thus the court had dismissed the action. As such, the outstanding amount could not be recovered.

3.2 Human Resources Management

Particulars of the approved cadre and actual cadre of the Sabha as at 31 December 2013 are given below.

<u>Category of Employees</u>	<u>Approved</u>	<u>Actual</u>	<u>Vacancies</u>	<u>Excess</u>
Executive	01	-	01	
Tertiary	01	02		01
Secondary	19	16	03	
Primary	41	36	05	
Other	-	09		09
(casual,temporary,contract basis)	----	----	----	----
	62	63	09	10
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A sum of Rs.11,205,500 had been reimbursed by the Commissioner of Local Government in the year under review as the salaries of staff and Members' allowances. As the expenditure on salaries for the year amounted to Rs.16,514,894 , an additional financial burden of Rs.5,309,394 had been caused to the Sabha Fund.

4. Accountability and Good Governance

4.1 Action Plan

An Action Plan for the year under review had not been prepared.

4.2 Audit and Management Committees

Audit and Management Committees had not been established by the Sabha.

4.3 Procurement Plan

A Procurement Plan for the year under review had not been prepared in terms of Circular 42(b) No. ජ.ප්‍ර.නි / ප්‍ර.වි.නි/18 of 25 January 2006.

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.) Stores Administration