

Kotmale Pradeshiya Sabha - 2013

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 28 February 2014 while Financial Statements relating to the preceding year had been submitted on 28 February 2013. The Auditor General's Report relating to the year under review was sent to the chairman on 21 October 2014.

1.2 Disclaimer of Opinion

Because of the significance of matters described in paragraph 1.3 of this report, it was unable for me to get a basis of adequate and suitable evidence. Due to that, I do not express an opinion on these financial statements.

1.3 Comments on Financial Statements

1.3.1 Non-compliance with Sri Lanka Public Sector Accounting Standards

Financial statements submitted by the Pradeshiya Sabah for the year under review had not been prepared in conformity with Public Sector Accounting Standards.

1.3.2 Accounting Deficiencies

Following matters are observed.

- (a.) The Courts Fine Revenue Receivable amounting to Rs.1,281,416 as at 31 December for the year under review had been accounted as Rs.587,333 resulting an understatement of Current Assets in a sum of Rs.694,083 as at 31 December.
- (b.) The Stamp Fees Revenue Receivable amounting to Rs.5,838,427 as at 31 December for the year under review had been accounted as Rs.5,844,022 resulting an overstatement of Current Assets in a sum of Rs.5,595 as at 31 December 2013.
- (c.) The Creditors balance of Rs.11,864,606 as at 31 December of the year under review had been accounted as Rs.11,964,606 resulting an overstatement of Current Liabilities in a sum of Rs.100,000.
- (d.) The value of Accumulated Fund and the Reserves as at 31 December of the year under review amounting to Rs.77,211,643 had been accounted as Rs.79,498,900 resulting an overstatement of Accumulated Fund and the Reserves in a sum of Rs.2,287,257 in the financial statements.
- (e.) While accounting deficiencies revealed in the audit of financial statements for the year 2012 had not been rectified during the year review as well, effects of those lapses continued to exist in the financial statements.

1.3.3 Non-reconciled Control Accounts

A difference of Rs.50,005 was observed between the balances according to the subsidiary registers and the control accounts relevant to 04 items of accounts.

1.3.4 Accounts Receivable

While the value of balances of Accounts Receivable as at 31 December 2013 had been Rs.17,091,403, total of balances that had exceeded 01 year included therein had been Rs.1,626,261.

1.3.5 Accounts Payable

The value of two balances of Accounts Payable that had exceeded 01 year as at 31 December 2013 had been Rs.527,494.

1.3.6 Suspense Account

While the debit balance of the Suspense Account as at 31 December 2013 was Rs.2,400,849, action had not been taken to examine the reasons for that balance in order to clear it even up to 08 June 2014, date of audit.

1.3.7 Lack of Evidence for Audit

(a.) Non-submission of Evidence for the Audit

Transactions valued at Rs.68,482,051 could not be accepted in audit due to non-submission of evidence required information for the Audit.

(b.) Audit Queries not replied

Replies had not been furnished to 02 audit queries as at 30 June 2014.

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

Following Non-compliances with Laws, Rules, Regulations and Management Decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

(a) Clause 4.6 in Chapter XXIV of The Establishments Code of the Republic of Sri Lanka

Action had not been taken to recover loan balances amounting to Rs.28,952 due from 21 deceased or employees who were in service of the Sabha, but , whose details could not be identified.

(b) Section 19 of the Pradeshiya Sabha Act No15 of 1987 and Delegation of Authority by the Central Province Public Service Commission.

Although the appointing authority of the Karyala Karya Sahayakas of the Pradeshiya Sabha is the Secretary of the Pradeshiya Sabha, 07 employees had been appointed by the Chairmen and a sum of Rs. 894,753 had been paid as salaries to them.

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 2013 amounted to Rs.4,212,681 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.4,536,147.

2.2 Analytical Financial Review

When the surplus for the year under review is compared with the surplus for the preceding year, there had been a diminution of Rs. 323,466. It was due to decrease in revenue in a range from 2 percent to 13 percent of 3 revenue items and increase in expenditure in a range from 5 percent to 115 percent of 4 expenditure items.

2.3 Revenue Administration

2.3.1 Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue is shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	4,219	2,757	1,462
(ii)	Lease Rent	1,397	619	778
(iii)	Licence Fees	2,661	2,661	-
(iv)	Other Revenue	1,389	1,080	309

2.3.2 Hiring Car Parking Charges

A sum of Rs.532,100 was in arrears as Hiring Car Parking Charges as at 31 December 2013 due to lack of interest for recovery of revenue by the Pradeshiya Sabha.

2.3.3 License Fees

Although one percent of the income of the preceding year should be recovered as License Fees from the hotels registered in the Sri Lanka Tourism Development board according to Section 149 of the Pradeshiya Sabha Act No. 15 of 1987, a License Fee of Rs. 3,000 was being recovered from two hotels in the area of authority instead of recovering one percent of the income.

2.3.4 Meat Stalls Rent

Action had not been taken to recover a sum of Rs. 78,500 due from Mr. M.M.Ali as Meat Stall Rent in arrears since the year 1986.

2.3.5 Telecommunications Transmission Towers

While any course of action had not been taken with regard to 06 transmission towers erected in the area of authority of the Sabha, a large sum of revenue to be recovered through that had been lost.

2.3.6 Electricity Projects

Action had not been taken to recover License Fees for 03 small scale electricity projects in operation in the area of authorities of the Sabha.

2.3.7 Court Fines and Stamp Fees

A sum of Rs.587,333 as Court Fines and a sum of Rs.5,844,022 as Stamp Fees were receivable from the Central Provincial Council as at 31 December of the year under review.

3. Operating Review

3.1 Performance Evaluation

It was not possible to compare and confirm the physical and financial performance from the management reports prepared in order to ascertain whether performance had been made according to the Annual Action Plan. It had not been adequately prepared to facilitate the examination of financial performance targeted in the Annual Action Plan through the management Reports submitted to audit.

3.2 Management Inefficiencies

- (a.) Although 85 unauthorized constructions had been made during the year 2013 in the area of authority of the Pradeshiya Sabha, any course of action had not been taken in that connection.
- (b.) While two lands in the area of authority of the Pradeshiya Sabha were being blocked out and sold by Land Auctioneers during the year 2013 without an approval of the Sabah, any course of action had not been taken in that connection.

3.3 Idle and Under-utilized Assets

- (a.) Although a period of 02 had elapsed after completion of works and taking over the building on 02 November 2011 constructed spending a sum of Rs.32,675,105 in the Poodaluoya Town under the Project for Improving Infrastructure Facilities of Local Government, it had been kept closed without being used.
- (b.) The Ambulance bearing No.J.D. 4866 of Nissan Caravan model had been withdrawn from running since the year 2010 for more than 04 years and had been parked in the office premises.

3.4 Solid Waste Management

While a proper methodology had not been followed by the Pradeshiya Sabha for Solid Waste Management, disposals of garbage were being carried out in a manner harmful to the environment.

3.5 Surcharges

According to the surcharges imposed by me, against the parties responsible in terms of provisions in the Pradeshiya Sabha Act No.15 of 1987, the value of surcharges outstanding to be recovered as at 31 December 2013 amounted to Rs.127,525.

4. Accountability and Good Governance

4.1 Annual Procurement Plan

Annual Procurement Plan for the year under review had not been submitted to audit.

4.2 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure compared with the actual revenue and expenditure, variations in a range from 16 to 72 percent in 06 items of revenue and 05 to 748 percent in 07 items of expenditure were observed. Therefore it was observed that the Budget had not been made use of as an effective tool of management.

4.3 Internal Audit

An adequate internal audit had not been carried out in the Establishment.

5. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Debtors and Creditors Control
- (e.) Assets Management