

Kalutara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 26 March 2015 while Financial Statements relating to the preceding year had been submitted on 16 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 30 June 2015.

1.2 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 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Out of the Library Books purchased during the year under review according to the Votes Ledger amounting to Rs.394,305, a sum of Rs.168,845 only had been capitalized. Due to that, balance of the Library Books Account and the balance of the Contribution from Revenue to Capital Outlay Account had been understated in a sum of Rs. 225,460.
- (b) The value of Cab Vehicle provided to the Sabha during the preceding year by the Local Government Department had not been accounted during the year under review as well. Due to that, balance of the Motor vehicles and Carts and the balance of the Contribution from Revenue to Capital Outlay Account amounting to Rs. 1,765,682 and balances of Local Government Loan Account and Utility Services Account amounting to Rs. 1,412,774 had not been shown in the accounts.
- (c) Loan Installments amounting to 1,059,409 deducted from salary reimbursement by the Local Government Department had been accounted in the Other Revenue Account in Arrears instead of debiting the Capital Expenditure Account.
- (d) Revenue amounting to Rs. 136,416 written –off according to a Sabha decision had been adjusted to Revenue and Expenditure Account. Due to that, revenue for the year under review had been understated to the extent of that value.

- (e) Although two cheques issued amounting to Rs. 310,342 in May and September 2014 had been cancelled and another two cheques had been issued in lieu, two cheques issued had been treated as a new payment and accounted.
- (f) Salaries amounting to Rs. 53,316 payable at the end of the year under review had been debited to Accumulated Fund, instead of debiting the relevant expenditure items.
- (g) Provision for Creditors had not been made for a sum of Rs. 13,062,597 payable relevant to Works Projects.
- (h) Three items of assets totaling Rs. 501,465 purchased during the year under review had not been capitalized.
- (i) Accounting Deficiencies referred to in my report for the preceding year under paragraphs 2.2.2 (b), (e) and (f) had not been corrected.

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 2014 had been Rs.22,971,768 as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs.9,786,395 in the preceding year.

2.2 Bank Accounts

Following matters are observed.

- (a) Property Loan Interest amounting to Rs. 15,211 receivable relevant to September 2009 from the Local Government Department was being brought forward as cheques not realized in the bank reconciliation statement even up to 19 May 2015, date of audit.
- (b) Cheques valued at Rs. 179,469 deposited in the months of April and November 2014 had not been realized up to 19 May 2015, date of audit.
- (c) Action had not been taken even up to 19 May 2015, date of audit, to identify and make adjustments in the cash book with regard to a sum of Rs. 9,224 and a sum of Rs. 64 shown as over deposits and under deposits respectively, in the bank reconciliation statement as at 31 December 2014.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Item of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	17,268	6,027	5,677
(ii)	Lease Rent	2,099	2,099	-
(iii)	Licence Fees	-	-	-
(iv)	Other Revenue	-	-	-

2.2.2 Rates

While the Rates balance in arrears as at Beginning of the year under review was Rs. 3,274,839, billings for the year had been Rs. 8,172,730. While a sum of Rs. 870,037 or 26.5 percent of the opening arrears as at 01 January 2014 had been recovered, a sum of Rs. 5,107,752 or 62 per cent of the revenue billed during the current year had been recovered. Accordingly, overall Rates balance in arrears as at 31 December 2014 was Rs. 5,668,984.

2.2.3 Lease of Stalls

Moronthuduwa Market Complex consists of 9 stalls constructed having spent a sum of Rs. 4,500,000 out of Sabha Fund had been opened on 09 December 2005. Out of these stalls, 4 stalls from the date of opening, one stall from August 2011 and another stall from 2013 had not been leased out.

2.2.4 Three Wheeled Vehicles Parking Charges

Out of 688 Three Wheeled Vehicles registered in the Sabha, 520 vehicles had not paid the Parking License Fees amounting to Rs. 312,000 relevant to the year 2014 even up to 15 December 2014, date of audit.

2.2.5 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014 were as follows.

	Rs.
Court Fines	59,560,414
Stamp Fees	40,000,000

3. Operating Review

3.1 Improper Transactions

(a) Foreign Travel

(i.) A sum of Rs.4,037,855 had been spent from the Sabha Fund for participation in a workshop for 06 days in Thailand by the Chairman, 15 Members and a Female Management Assistant. Any provision had not been made for foreign travel in the Budget for the year 2014. Accordingly it was required to sanction a supplementary estimates in the Sabha before incurring this expenditure in terms of section 170 in Part vi of the Pradeshiya Sabha Act No. 15 of 1987 and Pradeshiya Sabha (Financial and Administrative) Rules. However, without action being taken accordingly, this expenditure had been incurred through transfer of provisions among Expenditure Heads.

(ii.) While a sum of Rs. 175,866 by the Chairman and sums at the rate of Rs. 136,131 by the 15 Members and the Female Management Assistant had obtained as Combine Allowance, payments totaling Rs.2,353,962 had been made though one voucher in favor of the Chairman, instead of submitting separate traveling vouchers by individual officers.

(b) Poson Festival Expenses

A Poson Zone had been conducted by the Sabha in collaboration with the Welfare Association of the Sabha during the year 2014. While the estimated expenditure for this had been Rs. 1,770,000, out of that sanction of the Sabha had been obtained on 24 April 2014 to spend a sum of Rs. 970,000 out of the Sabha Fund to spend a sum of Rs. 800,000 out of donations from business entities in the area and public donations. Following observations are made in this connection.

(i.) According to information made available to audit, receipts had not been issued for collections received amounting to Rs. 651,390 as public contributions, patron contributions, thorana revenue and carnival, and those amounts had not been credited to Sabha Fund.

(ii.) Entertainment Tax had not been recovered for the tickets of the carnival conducted in the Poson Zone. However, a sum of Rs.60,000 had been recovered at the rate of Rs. 20,000 per day as per agreement made through letter dated 05 June 2014 between the Chairman and the person who conducted the carnival and that money too had not been credited to the Sabha Fund.

- (iii.) Payment Vouchers had not been written for expenses of the Poson Zone aggregating to Rs. 648,390.

3.2 Operational / Management Inefficiencies

- (a.) Advances totalling Rs.618,749 paid during the period from the year 2013 to December 2014 had not been settled even up to 15 May 2015.
- (b.) Action had not been taken to recover Staff Loans amounting to Rs. 488,880 outstanding from 11 officers who had left on transfers after service in the Sabha and vacated service or deceased or retired up to 12 December 2014, date of audit.

3.3 Performance

- (a.) Maga Neguma Projects
 - (i.) While a sum of Rs. 18,000,000 at the rate of Rs. 500,000 had been approved for 36 Projects for laying inter connected concrete block stones under Maga Neguma Rural Development Program, work of only 05 Projects had been finalized as at 15 December 2015.
 - (ii.) While agreements had been signed and work had been commenced for 07 Projects amounting to Rs. 4,000,000, only the estimates had prepared with regard to 11 Projects amounting a Rs. 5,500,000.
 - (iii.) Any work had not been performed with regard to 13 Projects.
- (b.) Batahira Run Aruna Regional Development Program - 2014

Out of 17 Projects amounting to Rs. 6,875,000 approved by the Divisional Secretary under the Batahira Run Aruna Regional Development Program – 2104, only 13 Projects had been finalized at the end of the year under review.

4. Systems and Controls

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Contracts Administration