

**Raththota Pradeshiya Sabha**

-----  
**Matale District**  
-----

**1. Financial Statements**

-----  
**1.1 Presentation of Financial Statements**

-----  
Financial Statements for the year under review had been submitted to Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 03 July 2014.

**1.2 Opinion**

-----  
I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of Raththota Pradeshiya Sabha as at 31 December 2014 and financial results of its operation for the year then ended and cash flows.

**1.3 Comments on Financial Statements**

-----  
**1.3.1 Accounting Deficiencies**

-----  
Following accounting deficiencies were observed in audit.

- (a) While the value of the Cab Vehicle received from the Ministry of Provincial Councils and Regional Development had been understated in a sum of Rs.5,760,000 in the accounts, the Tractor costing Rs.1,800,000 received during the year 2012 and the Tipper Vehicle received during the year under review had not been included in the financial statements.

- (b) The value of 03 Machinery and Equipment 4 computers with accessories received as a grant and the value of a Printer with a Scanner and a Photo Copying Machine totalling Rs. 417,000 had not been included in the financial statements.
- (c) Value of 06 Lands and 29 Buildings belong to the Sabha and the value of the Garbage Recycling Centre constructed at a cost of Rs. 639,458 during the year 2012 had not been capitalized.
- (d) Although 04 Buildings amounting to a total value of Rs. 150,209 had been demolished and new Buildings had been constructed in place of those, action had not been taken make the relevant adjustments and settle those accounts.
- (e) While a Work Creditors balance payable had been overstated in a sum of Rs.94,776 in the financial statement, 04 Creditors balances totalling Rs.152,662 had been omitted from the financial statements.
- (f) The value of 130 Galvanized Pipes amounting to Rs. 143,910 in the possession of the Sabha out of the 296 Galvanized Pipes received by the Ukuwela Pradeshiya Sabha from the Ministry of Provincial Councils and Regional Development and given to the Raththota Pradeshiya Sabha by that Sabha, had not been accounted.

### **1.3.2 Non-reconciled Control Accounts**

-----  
Discrepancies totalling Rs.540,477 were observed between balances of 04 items of accounts totalling Rs.9,984,786 shown in the financial statements and balances shown in the relevant subsidiary registers and records.

### **1.3.3 Suspense Account**

-----  
Action had not been taken even during the year under review to settle the non-moving suspense account balance of Rs. 15,462 that had been brought forward during the past 17 years.

### **1.3.4 Accounts Receivable**

-----  
While the total of 09 balances of Accounts Receivable as at the date of end of the year under review amounted to Rs. 47,132,165, six balances totalling Rs. 2,328,811 that had elapsed more than 05 years had been included therein.

### **1.3.5 Accounts Payable**

-----  
While the total value of 02 Creditors balance as at the date of end of the year under review amounted to Rs. 42,027,350, two balances that had elapsed more than 05 years totalling Rs. 4,207,443 had been included therein.

### **1.3.6 Lack of Evidence for Audit**

-----  
Transactions totalling Rs. 75,804,282 relevant to 07 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

### **1.3.7 Non-compliance with Laws, Rules, Regulations etc.**

-----  
Following instances of non-compliance with laws, rules, regulations and circular instructions were observed in audit.

**Reference to Laws, Rules,  
Regulations etc.**

- (a.) Sections 19(i) and (xi) of the Pradeshiya Sabha Act No. 15 of 1987 and Circular No. 1986/6 dated 17 June 1986 of the Commissioner of Local Government
- (b.) Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988
- 
- (i.) Rule 114
- (ii.) Rule 218
- (c.) Financial Regulations of the Republic of Sri Lanka Regulations 570 and 571
- (d.) Circular No. 25 dated 12 November 2014 of the Secretary to the Ministry of Public Administration and Home Affairs

**Non-compliance**

- While a land belongs to the Pradeshiya Sabha had been leased to the Raththota Peoples' Bank without obtaining the approval of the Minister in Charge of the Subject, it had been leased for a period of 50 years without complying with the provisions in the Circular.
  
- While advances amounting to Rs. 550,000 had been paid for Projects not commenced, action too had not been taken to get settled those advances.
  
- While a survey had not been carried out with regard to the Sabha properties, properties belong to the Sabha had been improperly leased and un-authorized constructions had been allowed. Similarly, action was being taken to transfer the land where the Raththota Police is located as well.
  
- Action had not been taken in terms of regulations referred to in with regard to Deposits totalling Rs. 1,522,915 that had elapsed a period of 02 years.
  
- While permanent appointments had been granted to 07 employees who had been receiving allowances without complying with circular instructions, 13 Individuals had been recruited for posts not approved.

## **2. Financial Review**

-----

### **2.1 Financial Results**

-----

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 7,540,055 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,759,963. When compared with the preceding year, an improvement of Rs. 780,092 was shown in the financial results for the year under review.

### **2.2 Analytical Financial Review**

-----

Some of the significant information relating to financial position and financial performance for the year under review and the preceding 02 years of the Sabha are given below.

- (a) When surplus of financial result is taken as a percentage of operational revenue, a continuous decline was indicted in that percentage.
  
- (b) While a continuous upward trend is indicated with regard to the ratio between the total revenue and expenditure, it was observed as un-satisfactory position with regard to financial control.

### **2.3 Revenue Administration**

-----

#### **2.3.1 Rates**

-----

While the balance of Rates in arrears amounted to Rs.1,001,480, balances in arrears for more than 05 years amounting to Rs.341,407 were included therein.

### **2.3.2 Lease Rent**

-----

While the balance of Lease Rent in arrears amounted to Rs. 775,260, balances coming from a period of more than one year amounting to Rs. 501,148 were included therein.

### **2.3.3 Acreage Tax**

-----

While the balance of Acreage Tax in arrears amounted to Rs.356,762, balances in arrears for more than 05 years amounting to Rs.104,857 were included therein.

### **2.3.4 License fees**

-----

While the Balance License Fees in arrears amounted to Rs. 408,685, balances which had elapsed more than a period of 03 years amounting to Rs. 339,955 were included therein.

### **2.3.5 Water Charges**

-----

The total value of arrears of Water Charges at the end of the year, including a sum of Rs.2,687,601 out of the balance remained outstanding as at the commencement of the year under review and relevant to the year amounting to Rs.2,758,107 had taken a high value such as Rs.5,445,708. Sabha had not paid attention to prepare and implement a proper procedure for collection of revenue.

### **2.3.6 Court Fines and Stamp Fees**

-----

A sum of Rs. 1,483,189 on account of Court Fines and a sum of Rs. 3,359,575 on account of Stamp Fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary to the Provincial Council and other authorities. A sum of Rs. 300,435 due for the two years 2011 and 2012 too was included in the Court Fines balance.

## **2.4 Surcharges**

-----

A sum of Rs. 677,500 was due to be recovered relevant to a surcharges imposed during a previous year in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

## **3. Operating Review**

-----

### **3.1 Management Inefficiencies**

-----

Following matters are observed.

- (a) Lease money had not been revised since the year 2003 in terms of the conditions in the agreement entered into with the Peoples' Bank.
- (b) Fuel costing Rs. 294,562 had been provided to 03 vehicles with defunct mileage meters during the year under review.
- (c) Substantial amount of revenue had been lost to the Sabha, due to making Rates recoveries based on the Rates Assessment made during the year 2004, without making recoveries according to the new Rates Assessment made during the year 2012.

### **3.2 Operational Inefficiencies**

-----

Following matters are observed.

- (a) Although water had been distributed to 3510 consumers through 11 Water Projects belong to the Sabha, water meters had been fixed only for 47 consumers. Charges had been recovered from the balance 3463 consumers without any basis.
- (b) Although the Raththota Police Quarters and the Building where Police Station is located had been assessed for Rs. 1,750 and Rs. 7,500 respectively, through the Valuation Department during the year 2011 , action had not been taken to recover lease money according to the assessment even during the year under review.

- (c) Action had not been taken to recover loan balances in arrears amounting to Rs. 179,060 in terms of paragraph 06 of the Accounts Circular No. 95/9 dated 27 December 1995 of the Secretary to the Central Provincial Council.
- (d) Action had not been taken to settle the Pension Contributions balance payable amounting to Rs.3, 124,957 that had been getting increased and brought forward over a number of years.
- (e) Action had not been taken to get settled the balance of Rs. 633,836 shown as an amount due from the Up Country Development Authority of Sri Lanka, that had been brought forward since the year 2006.

### **3.3 Idle/Under-utilized Assets**

-----

Following matters are observed.

- (a) Four Vehicles costing Rs.1,417,500 and a Hand Tractor value of which not assessed remained idle.
- (b) The Flower Hall at Gammaduwa Road constructed having incurred expenditure amounting to Rs.703,362 during the year 2010 had been closed down without making any use.

### **3.4 Identified Losses**

-----

The estimated sum of Rs. 975,000 for the construction of Raththota Children's Park under the provisions of the Palath Neguma Provisions of the Ministry of Economic Development had been paid to the Raththota Samurdhi Officers Association on 30 December 2014 .The estimate had been more than the prices shown in the bill of the institution from where the equipment were purchased and due to that, a loss of Rs.154,381 had occurred to the Sabha. The Children's Park had not been constructed even as at 25 February 2015.



### **3.5 Project Delays**

-----

Following matters were revealed at the physical inspection carried out on 22 April 2015 with regard to the Project commenced for water supply to Bandarapola, Serugolla Colony on the basis of the provisions of the Ministry of Economic developments.

- (a) The Work had been abandoned after construction of a part of the water collecting tank to a size of 4.3 x 3.0 x 1.17 meters.
  
- (b) Although an advance of Rs. 200,000 had been paid for the Project, action had not been taken to get settled that amount of advance.

### **3.6 Solid Waste Management**

-----

About 2 tons of garbage collected daily in the area of authority of the Sabha had been collected by engaging the Sabha Tractor and 07 employees and a quantity of about 400 kilograms of sorted solid waste had been used for making compost fertilizer after getting decayed through the lot system. Steps had been taken for disposal of the balance quantity of about 80 per cent of waste in a harmful manner to the environment without being referred for recycling.

## **4. Accountability and Good Governance**

-----

### **4.1 Internal Audit**

-----

A system of Internal Audit had not been conducted in terms of Rule 5 (7) of the Pradeshiya Sabha (Financial and Administrative) Rues Series of 1988.without incurring any expenditure. Accordingly, it was observed that the Budget had not been used as an effective tool of management.

## **4.2 Audit and Management Committees**

---

Although Audit and Management Committees should be established in terms of the letter No. CPC/CLG/1/9/1/4 dated 08 August 2014 of the Commissioner of Local Government, action had not been taken to establish those committees up to 31 December of the year under review.

## **4.3 Budgetary Control**

---

Even after making amendments to the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the Budget had not been made use of as an effective tool of management.

- (a) While any revenue had not been earned from estimated revenue amounting to Rs.410,000 relating to 05 Items of Revenue, there were variations in a range of 33 to 82 per cent between the estimated and actual revenue of another 07 Items of Revenue.
- (b) While the entire provision of Rs.2,285,000 made available for 11 Items of Expenditure had been saved, there were variations in a range of 8 to 99 per cent between the net provision and actual expenditure in another 32 Items of Expenditure.

## **4.4 Audit Queries not resolved and not replied**

---

Replies had not been furnished to 16 queries out of the audit queries issued to the Sabha, even as at 31 December of the year under review. The value of transactions which could be worked out, subject to those queries was Rs. 138,400,436.

## **5. Systems and Controls**

-----.

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Vehicles Control
- (e.) Debtors and Creditors Control
- (f.) Staff Management
- (g.) Stores Control
- (h.) Contracts Control