

Kalawana Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 08 May 2015 while Financial Statements relating to the preceding year had been submitted on 27 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 03 August 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 Kalawana Pradeshiya Sabha as at 31 December 2014, its financial performance for the year then ended and Cash Flows in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a.) When accounting the loan obtained through the Local Loans and Development Fund during the year under review, which was not accounted in that year, although a sum of Rs.4,629,410 had been adjusted through journal entries, when outside liability is compared further with the ledger account, a difference of Rs.951,395 was observed.

- (b.) Loan Interest amounting to Rs. 127,183 payable for the loans of Local Loans and Development Fund had not been adjusted to the expenditure for the year under review.
- (c.) Rent amounting to Rs. 300,325 in respect of the Weekly Fair and Pork Stalls set-off against when making payments for disposal of garbage during June, July and August months of the year under review had not been accounted. Due to that Revenue and Expenditure had been understated to that extent.
- (d.) When cancelling a cheque issued with the intention of purchasing Hume Pipes from the Balavinna Concrete Yard, valued at Rs. 1,102,305 during the year under review, it had been credited to the Accumulated Fund instead of crediting the relevant expenditure account. Due to that expenditure for the year under review had been overstated to that extent.
- (e.) When crediting two cheques valued at Rs. 134.012 issued in respect of the expenditure relevant to the year under review to revenue on the grounds of not presenting for payment, action had not been taken to adjust that to the expenditure for the year under review. Due to that, expenditure for the year under review had been overstated to that extent.

2. Financial Review

2.1 Financial Results

- (a.) According to the Financial Statements presented, excess of recurrent revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 6,239,691 as compared with the Corresponding excess of recurrent revenue over recurrent expenditure for the preceding year amounted to Rs. 8,447,529.

- (b.) It had been a distinct feature of adjusting revenue and expense items of account not accounted in prior years and making adjustments in the accounts of subsequent years through the Accumulated Fund annually. Under these circumstances, financial results relating to particular year could not be relied upon. Accordingly, similar adjustments to the financial results for the year under review in forth coming years could not be ruled out. Details are shown below.

Year	Financial result	Adjustment to the Accumulated Fund		Financial Results after Adjustments
		Debits	Credits	
	Rs.	Rs.	Rs.	Rs.
2013	(4,131,822)	4,843,815	5,129,594	(3,846,043)
2012	1,425,266	3,891,000	1,586,186	(879,548)
2011	3,780,723	-	5,488,660	9,269,380

2.2 Analytical Financial Review

When compared with the preceding year, while the surplus on financial operations for the year under review had been reduced in a sum of Rs. 2,207,838, it was observed as a decrease of 26 per cent. It was mainly due to the increase in the recurrent expenditure relating to the year under review, when compared with that for the preceding year.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	2,433	1,789	643
(ii)	Lease Rent	6,615	5,414	(1,201)
(iii)	Licence Fees	1,165	507	(657)
(iv)	Other Revenue	7,443	8,293	849

2.3.2 Performance in Revenue Collection

When the estimated revenue for the year under review is compared with the revenue collected, a decrease of 92 percent, 23 percent, 45 per cent, 59 per cent and 20 per cent was reflected in the revenue collected relating to Rates, Lease Rent, License Fees, Charges for Services, Warrant Charges and Fines respectively.

2.3.3 Rates

A balance of Arrears of Rates amounting to Rs. 2,527,842 was outstanding from 1166 Rate Units over a number of years.

2.3.4 Lease Rent

Although the assessed Lease Rent should be revised at least once in 05 years in terms of provisions in Circular No. C.L.G. /2009 dated 09 March 2009 of the Commissioner of Local Government, the rent of the stalls belong to the Sabha had not been updated.

2.3.5 Transmission Tower Charges

Although a charge should be levied according to a proper methodology in granting approval for Telephone and Communication Towers erected in the area of authority of the Sabha in terms of Gazette Notification No.1597/8 dated 17 April 2009 of the Republic of Sri Lanka, action had not been taken accordingly.

2.3.6 License Fees

While a survey had not been carried out even up to May 2015 with regard to Establishments liable to pay Industrial Tax and Business Tax, revenue received according to the Revenue Registers only had been shown. Information relating to specific revenue to be received to the Sabha was not available in the Sabha.

2.3.7 Other Revenue

Following observations are made.

- (a.) While an arrears sum of Rs. 13,450 relevant to 03 stalls in the New Market Complex was outstanding to be recovered even up to May 2015, a sum of Rs. 14,350 relevant to 05 old stalls in the Public Market was outstanding to be recovered.
- (b.) While an arrears sum of Rs. 246,361 was outstanding to be recovered with regard to trading activities carried out in the land belongs to the Sabha, any future action such as taking legal steps had not been taken by the Sabha in the absence of proper agreements entered into with the trades.
- (c.) Although action should be taken to maintain a register containing detailed information relating to permanent and temporary advertisement boards displayed in the area of authority of the Sabha and relevant charges should be recovered having published a Gazette Notification, such action had not been taken by the Sabha.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) A fixed Assets Register containing up dated and adequate information relating to properties belong to the Sabah was not available in the Sabha.
- (b.) Loans amounting to Rs. 27,699 given to 03 officers who were in service of the Sabha had not been recovered even up to May 2015.
- (c.) A sum of Rs. 903,181 had been provided on 30 October 2009 by the Central Environment Authority for construction of a Solid Waste Management Project. The Chairman of the Central Environment Authority had informed that, the existing agreement for the construction of that Project had been cancelled due to the abnormal delay in implementation of the Project and to return the sum of Rs. Rs. 903,181. While action had not been taken to return that money even up to May 2015, a satisfactory arrangement had not been made for the construction of the Compost Yard. Under these circumstances, there was a risk of initiating legal action against the Kalawana Pradeshiya Sabha by the Central Environment Authority.

3.2 Improper Transactions

A sum of Rs.98,220 had been paid out of the Sabha Fund on behalf of the Chairman to a private Institution for the training work-shop relating to Waste Management held in Thailand from 10 November to 16 November 2014.

Following matters are observed.

- (i.) Payments had been made on the basis of an e-mail letter received, without receiving a specific letter of invitation and without obtaining prior approval of the Honorable Governor.

- (ii.) A sum of Rs. 39,750 had been spent out of the Sabha Fund for the foreign tour participated before obtaining formal approval, contrary to the provisions in the Circular No.01/2010/01 dated 11 October 2010 of the Minister Finance and Planning.
- (iii.) In the event of selecting a Head of Local Authority, Representative or a Member, although all expenses to be incurred and facilities should be born by the relevant Organization or Foreign Government or Foreign Institution, action had been taken disregarding that matter.
- (iv.) Although a period of 06 months had elapsed after the end of the training, a report explaining the manner in which the knowledge obtained through the training to be utilized locally had not been submitted.
- (v.) In spite of the fact that it had been informed vide letter No. CSA1/1/16 dated 11 June 2012 of the Secretary to President, not to make requests for scholarships and other programmes abroad on the basis of private invitations, the foreign tour referred to above had been made.

3.3 Solid Waste Management

While it had been decided to construct a permanent Garbage Recycling Project in a land called Kottanuhena, in Kukuleganga area after carrying out a field inspection by a team of inspection, it had been decided for temporary disposal of garbage with sanitary safety from the date of inspection until the Project is implemented. However, there was no progress of the said Project up to the time of audit in May 2015. A sum of Rs. 70,000 had been paid on 17 July 2014 as charges for surveying part of the land in extent of 09 acres from the land called Koralegoda Waththa in Koswaththa, belong to the Land Reform Commission for the construction of the proposed Solid Waste Management Centre. However, the expenditure incurred amounting to Rs.70,000 on the basis of constructing the Waste Recycling Project in Kottanuhena land had become fruitless expenditure.

4. Systems and Controls

-----.

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Solid Waste Management