

Katharagama Pradeshiya Sabha
Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 18 May 2015 while Financial Statements relating to the preceding year had been submitted on 30 July 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 16 July 2015.

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 Sri Lanka Public Sector Accounting Standards and give a true and fair view of the financial position of the Kataragama Pradeshiya Sabah as at 31 December 2014, financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Although 04 stalls valued at Rs. 2,340,000 belonged to the Sabha had been vested in the Urban Development Authority with effect from 26 February 2008, action had not been taken to remove those assets from the accounts.
- (b) Action had not been taken to assess and account for the Land and Buildings belong to the Sabha.
- (c) Although the cab vehicle No. 253-6345 valued at Rs.1,500,000 had been taken over by the Insurance Corporation due to the accident took place and a sum of Rs. 1,178,625 had been paid as insurance compensation, action had not been taken to remove the value of that cab vehicle from the accounts.

- (d) Although the Rates Revenue Billed for the year under review was Rs. 1,480,369, it had been accounted as Rs. 864,240, understating a sum of Rs. 616,129 In accounting.

1.3.2 Accounts Receivable and Payable

- (a.) Action had not been taken to settle the un-identified lessees' rent of trade centers amounting to Rs. 6,349,592.
- (b.) Action had not been taken to settle Value Added Tax amounting to Rs. 6,349,592 and Stamp Duty amounting to Rs.330,176 due to be remitted to the Commissioner General of Inland Revenue during the year under review as well.

1.3.3 Lack of Evidence for Audit

Five items of Assets totalling Rs. 85,774,941 and three Items of Liabilities amounting to Rs. 10,091,966 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.4 Non – compliance with Laws , Rules and Regulations

A sum of Rs. 541,943 had been paid during the year under review as Gross Salary, Employees Provident and Employees Trust Funds having recruited 10 laborers on temporary, substitute and voluntary basis without prior written approval of the Commissioner of Local Government in terms of provisions in Section 19 (1) (i) of the Pradeshiya Sabha Act No. 15 of 1987.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs.1,197,295 as against the excess of recurrent expenditure over revenue for the preceding year amounted to Rs.89,796. Accordingly, the net increase in the financial results had been Rs.1,287,091.

2.2 Revenue Administration

2.2.1 Rates

Action had not been taken to revise Rates after the year 1997 in terms of Section 140(5) of the Pradeshiya Sabha act No. 15 of 1987.

2.2.2 Transmission Towers Revenue

Action had not been taken during the year under review to recover Transmission Towers Tax Revenue from 06 towers in terms of provisions in section 152 of the Pradeshiya Sabha act No. 15 of 1987.

2.2.3 Stalls Rent

Action had not been taken to assess the Rent of Stalls belong to Sabha in terms of provisions in the Circular No.1980/46 dated 31 December 1980 of the Commissioner of local Government.

2.2.4 Other Revenue

Action had not been taken in terms of provisions in Section 149 of the Pradeshiya Sabha Act No. 15 of 1987 to recover a tax not exceeding 1 per cent of the receipts of the preceding year to the relevant year from one hotel and six lodging houses registered in terms of Tourism Promotion Act No.14 of 1968 for the functions of the Sri Lanka Tourism Promotion Authority or approved by that.

2.2.5 Court Fines and Stamp Fees

Action had not been taken to account for Court Fines and Stamp Fees Receivable to the Sabha for the current year.

2.2.6 Arrears of Revenue

Arrears of Revenue totalling Rs. 27,411,857 as at the end of the year under review had not been recovered in terms of Sections 158 and 159 of the Pradeshiya Sabha Act No. 15 of 1987.

2.2.7 Surcharges

A sum of Rs. 104,017 was outstanding to be recovered as at 31 December of the year under review in connection with surcharges imposed by me against the persons responsible during past years in terms of Section 172 (3) of the Pradeshiya Sabha Act No 15 of 1987.

3. Operating Review

3.1 Operating Inefficiencies

Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of paying fees in terms of clause 2.1 of the letter dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, a sum of Rs.413,036 had been incurred out of the Sabha Fund without taking action accordingly. Particulars with regard to method of fixing, type of lamps to be fixed and number of lamps etc. had not been reported.

4. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration