

Katuwana Pradeshiya Sabha
Hambanthota District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 01 April 2014. The Auditor General's Report relating to the year under review was issued to the Chairman of the Sabha on 21 July 2015.

1.2 Qualified 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 Katuwana Pradeshiya Sabha as at 31 December 2014 and its financial performance for the year then ended in accordance with Public Sector Generally Accounting Standards of Sri Lanka.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) While a sum of Rs. 731,075 had been received as revenue on account of hire of Machinery and Equipment relevant to the year 2013, although this amount should have been credited to the Accumulated Fund, without doing so, a sum of Rs.438,183 only had been accredited to the Accumulated Fund.
- (b.) Although Revenue amounting to Rs. 100,200 in respect of 02 stalls in the Rajapaksa Super Market Complex relevant to the year under review should have been accounted as revenue for the year, without doing so, it had been credited to the Accumulated Fund.
- (c.) Expenditure amounting to Rs. 65,985 relevant to the year under review had been omitted from the expenditure for the year and the Creditors.

2. Financial and Operating 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 amounted to Rs.4,772,300 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.5,146,223.

2.2 Revenue Administration

2.2.1 Performance in collection 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
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	41	302	3
(ii.) Lease Rent	18,470	14,224	3,082
(iii.) Licence Fees	1,747	1,206	-
(iv.) Other Revenue	46,057	47,516	11,382

2.2.2 Rates

Action in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to assess and recover the Rates.

2.2.3 Lease Rent

Adequate action in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the value of Stalls Rent in arrears amounting to Rs.1,094,382 as at the end of the year under review. The Chairman had reported to me on 08 July 2015 that a sum of Rs.436,250 was recovered as at 30 June 2015 out of this amount.

2.2.4 Water Charges

While the Water Charges Revenue in arrears as at the end of the year under review was Rs.5,476,878, the Water Charges Revenue in arrears as at the end of the preceding year was Rs.5,158,103. Accordingly it was observed that the end of the preceding year had been Rs.5,158,103. Accordingly, it was observed that Water Charges Revenue in arrears had increased in a sum of Rs. 318,775 during the year under review and that proper course of action had not been taken to recover the Revenue in Arrears. A Revenue amounting to Rs. 67,690 Receivable to the Sabha had been lost due to failure of the Meter Rader in correct billing the number of units consumed. Action had not been taken to recover that amount in arrears from the Meter Reader. The Chairman informed me on 08 July 2015 that a sum of Rs. 2,233,490 out of the arrears amounting to Rs. 5,476,878 and a sum of Rs. 57,525 out of the arrears of Rs. 67,690 was recovered as at 30 June 2015.

2.2.5 Court Fines and Stamp Fees

Court Fines and Stamp Fees totalling Rs.5,298,574 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

3. Operating Review

3.1 Operational Inefficiencies

Following observations are made.

- (a.) Although a sum of Rs. 105,000 had been paid to a private firm for repairing the Motor Grader Machine No.MG 330, Pre and Post Reports had not been obtained from the Motor Vehicles Examiner with regard to the repairs.
- (b.) Action had not been taken even up to 27 May 2015, to recover balances of distress Loans, special and festival advances totalling Rs. 80,329 which had been outstanding over a long period.
- (c.) Action had not been taken to clear time lapsed Works Retention Money amounting to Rs.402,588 in terms of Financial Regulation 571 (3) of the Republic of Sri Lanka.

3.2 Improper Transactions

- (a.) Although action should be taken to credit all moneys accruing to the Pradeshiya Sabha in implementation of own powers and functions and in other manner should be credited to the Pradeshiya Sabha Fund in terms of Section 129 of the Pradeshiya Sabha Act No. 15 1987, contrary to that, a sum of Rs. 100,000 granted to the Pradeshiya Sabha by a private entity for welfare activities in the area had been credited to a private account named as Employees Welfare Association.

- (b.) Although appointments had been given to five individuals and salaries and allowance amounting to Rs. 585,616 had been paid during the year under review, prior written approval of the Commissioner of Local Government had not been obtained for making appointment in terms of Section 19(i)(1) of the Pradeshiya Sabha Act No. 15 1987.

3.3 Court Fines and Stamp Fee

Although it has been informed according to the paragraph 01 of the letter No.MPH/HYW/MNG/Cer/14-1 dated 02 July 2014 of the Secretary to the Ministry of High Ways, Ports and Navigation, that estimates should be prepared without including 10 per cent additional cost to be added in the transportation of raw material for the roads development works implemented under Maga Neguma Rural Roads Development Programme, action had not been taken accordingly, for Works implemented having signed agreements by the Sabha. Due to that, a sum totalling Rs. 175,975 had been overbilled.

4. Systems and Controls

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

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