

Kotmale Pradeshiya Sabha

Nuwaraeliya District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 06 June 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 28 July 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 Kothmale Pradeshiya Sabha at 31 December 2014 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Non-reconciled Control Accounts

While the value of Work Creditors according to the Statement of Financial Position was Rs.28,829,163, according to the Schedule it had been Rs. 30,916,280 indicating non-reconciliation in a sum of Rs. 2,087,117.

1.3.2 Accounts Receivable

Out of the balance of Work Debtors amounting to Rs.28,829,163 receivable as at 31 December 2014, amount to be received from the Government since the year 2011 was Rs.1,073,816. Any evidence was not furnished to audit supporting that money will be received to the Sabha.

1.3.3 Accounts Payable

Value of Accounts Payable that had elapsed for more than a period of 01 year as at 31 December 2014 was Rs. 2,047,939.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2014 amounted to Rs. 2,182,728 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,212,681 indicating decline of revenue in a sum of Rs. 2,029,953.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Revenue Collection					Arrears as at 31.12.2014			
	Arrears as at 01.01.2014	Billings during the year 2014	Total revenue to be collected during the year	Out of arrears as at 01.01.2014	Out of Billings for the year 2014	Total revenue collected	Out of arrears as at 01.01.2014	Out of revenue billed 2014	Total Arrears
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	1,490,555	3,130,811	4,621,366	1,217,155	2,509,258	3,726,413	273,399	621,553	894,952
Acreage tax	108,570	64,841	173,411	35,018	53,001	88,019	73,552	11,840	85,392
Trade licence	-	2,643,882	2,643,882	-	2,643,882	2,643,882	-	-	-
House Rent	7,942	48,535	56,470	192	48,451	84,643	7,750	84	7,834
Water Taxes	895,813	833,670	1,629,843	203,830	474,470	678,300	691,983	259,200	951,183
Stall Rent	78,834	1,188,000	1,266,834	1,000	1,188,000	1,189,000	77,834	-	77,834
Business Taxes	-	351,550	351,550	-	351,550	351,550	-	-	-

Following observations are made.

- (a) Action in terms of Rule 07 of Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988 had not been taken to recover charges by including the names of business enterprises to the Register of Licenses after carrying out a proper survey at the beginning of each year.
- (b) Although a sum of Rs.892, 601 was outstanding as Rates in arrears as at 30 September 2014, action had not been taken in terms of Rule 33 of Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.
- (c) While a survey had not been carried out with regard to Annual Environmental Permits, 26 Permits issued had not been up dated causing a loss of revenue in a sum of Rs.96,800 to the Sabha.
- (d) Action had not been taken during the year under review too, to recover a sum of Rs.78,500 outstanding as Meat Stalls Rent from lessees since the year 1986.

2.3 Hiring Car Parking Charges

A sum of Rs.77,490 was outstanding to be recovered as at 31 December 2014, according to the surcharges imposed by me against the persons responsible, in terms of provisions in the Pradeshiya Sabha Act No. 15 of 1987.

3. Operating Review

3.1 Performance Evaluation

It was not possible to compare the physical and financial performance through the Administrative Reports prepared, in order to ensure the achievement of objectives according to the Annual Action Plan.

3.2 Management Inefficiencies

- (a) An annual inspection had not been carried out with regard to Land and Buildings of the Sabha in terms of the provisions in Rule 218 of the Pradeshiya Sabha (Finance and Administrative) Rules Series of 1988.
- (b) It was not possible to confirm the legal ownership and correctness of the extent of Land and Buildings valued at Rs.50,957,068 due to non-submission of title deeds and plans to audit.
- (c) Although 138 unauthorized constructions had been made in the area of authority of the Sabha during the year 2014, any course of action had not been taken in that connection.

3.3 Idle and Under-utilized Assets

- (a) Although the Weekly Fair Building situated in the Kothmale New Town had been covered with wild plants without being used for 06 years, any steps had not been taken to maintain that or to utilize for the expected objectives.
- (b) The Nissan Caravan Ambulance Vehicle bearing No. J.D.4866 had been parked in the office premises for more than 06 years since the year 2010 having withdrawn from running.

3.4 Solid Waste Management

While a proper methodology had not been followed for Solid Waste Management by the Pradeshiya Sabha, disposal of garbage were being carried out in harmful manner to the environment.

4. Accountability and Good Governance

4.1 Annual Action Plan

Annual Action Plan for the year under review was submitted to audit.

4.2 Annual Procurement Plan

An Annual Procurement Plan had not been used in terms of sub-paragraph 4:2 of the Government Procurement Guidelines.

4.3 Internal Audit

An Adequate Internal Audit had not been carried out in the establishment, in terms of Financial Regulation 133 of the Republic of Sri Lanka and the Circular No. DMA/2009/01 dated 09 June 2009 of the Department of Management Audit.

4.4 Budgetary Control

According to the Budget prepared for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure, variations from 16% to 72% in 06 Items of revenue and variations from 05% to 748% in 06 items of expenditure were observed. Accordingly, it was observed that the Budget had not been made use of as an effective tool of management.

5. Systems and Controls

-----.

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

- (a.) Accounting
- (b.) Internal Control
- (c.) Revenue Administration
- (d.) Debtors and Creditors Control
- (e.) Assets Management