

Buththala Pradeshiya Sabah

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Moneragala District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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Financial Statements for the year under review had been submitted to the Auditor General on 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 23 June 2016.

1.2 Opinion

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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 Buththala Pradeshiya Sabha as at 31 December 2015, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies  
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Following Accounting Deficiencies are observed.

- (a) Although the Local Government Pension Contribution Payable at the date of end of the year under review was Rs. 144,340, it had been accounted as Rs. 110,000 understating a sum of Rs. 34,340 in the accounts.
- (b) Transmission Tower Revenue amounting to Rs. 273,000 receivable at the end of the year had not been accounted.
- (c) Although the value of Lands and Buildings belong to the Sabha at the end of year had been shown as Rs. 277,103,991 in the accounts, those had not been assessed by a recognized member of the valuation profession.
- (d) 26 plots of Lands not accounted belong to the Sabah had not been assessed by a recognized member of the valuation profession.

### 1.3.2 Accounts Receivable and Payable

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Following matters are observed.

- (a) Lease Rent relevant to 06 properties amounting to Rs. 1,732,025 that was being brought for the period from the year 1988 to 2015 had not been recovered even as at date of end of the year under review.
- (b) Action had not been taken to recover the sum of Rs. 3,498,234 as charges due to the Sabha for hiring out the Motor Grader, Road Roller, Backhoe Loader and the Tipper Vehicle during the year under review and years prior to that.
- (c) Stalls Rent in arrears amounting to Rs. 162,683 due to be recovered from stall holders of the old stalls removed when constructing new stalls, had not been recovered even as at date of end of the year under review.
- (d) Action had not been taken to recover a staff Loan balance of Rs. 165,950 outstanding as at the end of the year under review, which was being brought forward since a number of years.
- (e) Action had not been taken during the year under review as well, to settle Local Government Pension Contributions in arrears amounting to Rs. 144,340, which was being brought forward since a number of years.

### 1.3.3 Lack of Evidence for Audit

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Three items of Assets totaling Rs. 401,765,888 and two Items of Liabilities amounting to Rs. 5,382,127 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

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Out of Standard By-laws published in the Extra Ordinary Gazette Notification No. 1816/43 dated 28 June 2013 of the Uva Province Chief Minister and Minister in charge of the subject of Local Government, action had not been taken by the Sabha to embrace the By-law No. 23 relevant to mobile (roaming) trade and for supervision of un-authorized trade stalls and mobile trade, control and issue of licenses for those functions, bringing to order and prohibition.

## 2. Financial Review

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### 2.1 Financial Results

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According to the Financial Statements presented, the excess of revenue over recurrent Expenditure for the year under review ended 31 December amounted to Rs. 7,080,441 as

compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. 1,094,873 according to financial statements submitted as at 31 December of the preceding year . Accordingly, net increase in the financial results had been Rs. 5,985,568.

## 2.2 Revenue Administration

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### 2.2.1 Arrears of Revenue

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Arrears of Revenue totaling Rs. 10,06,216 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.

### 2.2.2 Rates

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Following matters are observed.

- (a) Although the properties relevant to recovery of Rates should be assessed once in 5 years, an assessment of properties for Rates had not been carried out by the Sabha after the year 2006.
- (b) While the value of Rates billed during the year 2015 was Rs. 2,020,488, the tax collected at the end of the year under review had been Rs. 949,201. It was a low percentage of the billed value such as 46 per cent.
- (c) While the Rates Revenue in arrears as at 01 January 2015 was Rs. 5,244,549, the amount collected as Rates in arrears at the end of the year under review was Rs. 2,243,950. the tax collected at the end of the year under review had been Rs. 949,201. It was a low percentage such as 42 per cent. Accordingly, percentage of recovery of Rates had been at a low level of 50 per cent.

### 2.2.3 Lease Rent

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Following matters are observed.

- (a) Action had not been taken to assess the rent of stalls belong to the Sabha according to provisions in the Circular No. 1980/46 dated 31 December 1980.
- (b) The last leasing of the Mutton Stall belongs to the Sabha for a sum of R.22,000 during the year 2012 and the Beef Stalls for a sum of Rs. 1,526,265 during the year 2013 had been made through tender procedure. Although quotations had been called for leasing out these properties, it had not been possible to lease out up to the year 2015 as lessees had not come forward. Action had not been taken to look into this matter and to take necessary course of action to lease out these properties.

(c) Lease money in arrears to be recovered from 6 properties belong to the Sabha relevant to the period from 1989 to 2015 amounted to Rs. 1,732,025 as at 31 December 2015.

(d) A sum of Rs. 265,425 was due to be recovered from 121 stalls leased out belong to the Sabha as at the end of the year under review.

#### 2.2.4 Transmission Tower Charges

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Action had not been taken to recover an annual tax from 15 transmission towers erected in the area of authority of the Sabha during the period from the year 2008 to the year 2013 by various telephone companies, in terms of provisions in Section 152 of the Pradeshiya Sabha Act No. 15 of 1987, even up to the end of the year under review.

#### 2.2.5 Court Fines and Stamp Fees

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A sum of Rs. 723,701 on account of Court Fines and a sum of Rs. 309,570 on account of Stamp Fees were due to be recovered from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

#### 2.3 Surcharges

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A sum of Rs. 733,241 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 provisions in the Pradeshiya Sabha Act No 15 of 1987.

### 3. Operating Review

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#### 3.1 Operational Inefficiencies

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Following matters are observed.

(a) Although the Local Authorities should function as a supplier of services for operations and maintenance of street lamps on the basis of payment of 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. 173,666 had been incurred for this out of the Sabha Fund without taking action accordingly.

(b) Action had not been taken to clear Deposits valued a Rs. 651,853 as per directions in Financial Regulation 571 of the Republic of Sri Lanka.

### 3.2 Contracts Control

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Following matters are observed.

- (a) Although assignment of contracts to Community Based Organization should be made in terms of Circular No. PFD/PMD/Clari/11/02 of the of the Ministry of Finance and Planning and clause 3.1 in Public Finance Circular No. 452 dated 27 September 2011 after examining the letters and registers referred to in clause 3.2 of the same circular through a three members committee nominated by the Head of Department and Divisional Secretary of the area, while action had not been taken in connection with 08 contraction works, sub-contracts too had been awarded contrary to above mentioned circular and the Financial Regulation 703(1).
- (b) Action had not been taken to recover charges amounting Rs. 37,360 to be recovered for the delay in completion of 2 Works not completed on the due dates in terms of the agreements.

### 3.3 Human Resources Management

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- (a) A substitute laborer had been recruited during the year under review without prior written approval of the Commissioner of Labor in terms of Section 19 (1) of th Pradeshiya Sabha Act No. 15 of 1987 and a sum of Rs. 334,354 had been paid as salaries, allowances and contributions to Provident Fund and Employees Trust Fund from the date of recruitment to 31 December of the year under review.
- (b) Contrary to provisions in the Financial Regulation 71 of the Republic of Sri Lanka and Public Administration Circular No. 25/2014 dated 12 November 2014, 35 employees served as Machine Operator, Watcher, Field Laborer, Sanitary Laborer, and Assistant Machine Operator, on casual and substitute basis, had been appointed to the permanent service outside the approved cadre.
- (c) Thirty six employees more than the approved cadre relevant to 7 posts had been engaged in service.

## 4. Good Governance and Accountability

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### 4.1 Budgetary Control

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According to material variances reflecting between the estimated revenue and expenditure through the budget prepared for the year under review by the Sabha and the actual revenue and expenditure for the year, the Budget had not been made use of as an effective tool of revenue and expenditure control.

4.2 Annual Procurement Plan  
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An Annual Procurement Plan had had not been prepared for the year under review by the Sabha.

4.3 Internal Audit  
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An adequate internal audit had not been carried out through the Internal Audit Unit of the Provincial Council.

4.5 Audit and Management Committee  
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Action had not been taken to establish Audit and Management Committees in terms of Internal Audit Guidelines Circular No. DMA/2009/(1) dated 9 June 2009 of the Management Audit Department, even up to the year under review.

5. Systems and Controls  
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Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Contracts Control.