

Kataragama Pradeshiya Sabha

Moneragala 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 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 18 May 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 23 June 2016.

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 Kataragama 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

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a) Action had not been taken to get assessed the value of 21 plots of lands belong to the Sabha by a recognized professional assessor and take to the accounts.
- (b) The value of demolished and removed old Sabha building during the year under review, amounting to Rs.621,595 had not been removed from he financial statements.
- (c) Action had not been taken to get assessed the value of Kataragama Bus stand belong to the Sabha by a recognized professional assessor and take to the accounts.
- (d) Although the Courts Fines Revenue Receivable at the beginning of the year under review was Rs. 2,667,793, it had been accounted as Rs. 1,500,000 understating a sum of Rs. 1,167,793 in the accounts.
- (e) Action had not been taken to account the Vehicles Park Revenue Receivable amounting to Rs. 245,120 at the end of the year under review.

1.3.2 Non-reconciled Control Accounts

While total of balances relevant to 07 items of accounts according to financial statements was Rs. 11,161,377, balance according to the registers and schedules had been Rs. 4,015,208.

1.3.3 Suspense Account

The balance in the Suspense Account amounting to Rs.16,971 which was being brought forward continuously in the financial statements since the year 2013 had been written off to the Accumulated Fund, without being identified.

1.3.4 Accounts Receivable and Payable

Following matters are observed.

- (a) Action had not been taken during the year under review as well, to recover Trading Places Rent amounting to Rs. 6,349,592, the parties not known as to from those amounts to be recovered.
- (b) Action had not been taken during the year under review as well, to settle Value Added Tax amounting to Rs. 4,319,539 relevant to the period 2009 - 2013 and Stamp Duty amounting to Rs. 330,176 relevant to the period 2009 - 2015 to be remitted to the Commissioner General of Inland Revenue.

- (a) Action had not been taken to settle Pension Contributions Payable in arrears amounting to Rs. 414,605 as at 31 December of the year under review to the Local government Pension Department.

1.3.5 Lack of Evidence for Audit

Five items of Assets totaling Rs. 131,896,864 and 07 Items of Liabilities amounting to Rs. 14,005,744 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

1.3.6 Non-compliance with Laws Rules and Regulations.

Following instances of non-compliance with laws, rules and regulations are observed in audit.

Reference to laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Financial Regulations of the Republic Sri Lanka	

(i) F.R. 71	Contrary to provisions in the Public Administration Circular No. 25/2014 dated 12 November 2014, two watchers served on casual basis had been appointed to the permanent service outside the approved cadre.
(ii) F.R. 103 and 104	Although the Backhoe Loader Vehicle bearing Number WPZA-5063 and the Cab Vehicle bearing Number PD-1846 had met with accidents on 29 July 2015 and 5 September December 2013 respectively, preliminary and final reports relevant to those had not been prepared.
(b) Pradeshiya Sabha Act No. 15 of 1987	

Section 49	Five Towers had been erected in the area of authority of the Sabha by 2 telephone companies without approval of the Planning Committee.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year under review ended 31 December 2015 amounted to Rs. 9,431,284 as compared with the corresponding excess of revenue over recurrent expenditure according to financial statements as at 31 December presented for the preceding year amounted to Rs. 1,197,295. Accordingly, an improvement in sum of Rs. 8,233,989 was reflected in the financial results.

2.2 Revenue Administration

2.2.1 Rates

- (a) Although a sum of Rs. 3,826,275 should be recovered from 132 Rates Units in arrears more than Rs. 10,000, action had not been taken to recover those amounts in terms of provisions in Sections 155, 156, 158, 159, 162 and 163 of the Pradeshiya Sabha Act No. 15 Of 1987.
- (b) Although 13 officers and employees of the Sabha had been engaged for revenue collection, the percentage of recovery of Rates in arrears had been 23 percent and the percentage of recovery of rates for the current year had been a low percentage of 48 percent.

2.2.2 Stalls Rent

Following matters are observed.

- (a) Although Stalls Rent had been got assessed by a Government Assessor during the year 2013, action had not been taken to implement the new assessment. Due to that, a revenue of Rs. 321,350 had been lost to the Saba.
- (b) The arrears of rent due to be recovered from stalls belong to the Sabha amounted to Rs. 6,351,392.
- (c) Although 74 stalls belong to the Sabha had been given on lease, action had not been taken to enter into agreements.

2.2.3 Court Fines and Stamp Fees

While Court Fines amounting to Rs. 4,921,145 were due to be recovered from the Chief Secretary to the Provincial Council as at 31 December of the year under review, action had not been taken to identify the amount of Stamp Fees to be received for the year under review.

2.2.4 Other Revenue

Following matters are observed.

- (a) While 18 Trade Booths had been provided to the 12 sponsor institutions of the Esala Festival, Action had not been taken to recover any fee from the consumers.
- (b) Action had not been taken to recover a sum of Rs. 245,120 due from receipts provided to 4 employees recruited for collection of vehicles parking fees on commission basis and 02 substitute employees.

- (c) Action had not been taken to recover annual tax from transmission towers erected in the area of authority of the Sabha in terms of provisions in Section 152 of the Pradeshiya Sabha Act No. 15 of 1987.

2.3 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 provisions the Pradeshiya Sabha Act No 15 of 1987.

3. Operating Review

3.1 Operational 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.96,600 had been incurred out of the Sabha Fund without taking action accordingly.

3.2 Identified Losses

Following matters are observed.

- (a) Out of 88 G.I. Pipes issued to the Sabha by the Buththala Pradeshiya Sabha on 23 November 2014, 21 pipes had been misplaced. Action had not been taken to conduct an enquiry and recover the relevant money from the parties responsible.
- (b) Although a sum of Rs. 25,000 had been paid to transport the cab vehicle No. PD-1846 belongs to Sabha up to Matara, which had met with an accident at Weeravila on 5 December 2013, action had not been taken to recover that money from the parties responsible or from the insurance.

3.3 Solid Waste Management

While a Compost Fertilizer Production Building had been constructed in Galapitagala Yaya area incurring expenditure amounting to Rs. 431,541 by the Pradeshiya Sabha during the year 2005, the relevant building had not been utilized for the relevant work even as at 30 May 2016.

3.4 Human Resources Management

- (a) Without obtaining the prior written approval of the Commissioner of Local Government in terms of Section 19 (1)(1) of the Pradeshiya Sabha Act No. 15 1987, 22 laborers had been recruited from 1995 to 2014 on casual and substitute basis and a sum of Rs. 21,694,084 had

been paid as gross salaries, Employees Provident Fund and Employees Trust Fund contributions.

- (b) Salaries and allowances had been paid during the year under review too, having recruited 34 . employees more than the approved cadre relevant to 5 posts.
- (c) Although an appointment had been given on voluntary basis for a post of laborer with effect from 01 March 2014, a sum of Rs. 422,917 had been paid as salaries, and contributions for Provident fund and Employees Trust Fund from March 2014 to end of the year under review.
- (d) Although there were no vacancies in the approved cadre of the Sabha, an allowance of Rs. 336,200 had been paid to 4 employees from January to December 2015 recruited on voluntary basis without approval of the Commissioner of Local Government.
- (e) Although 08 employees had been engaged for Fire Brigade Service of the Pradeshiya Sabha, the vehicle required for Fire Brigade Service had been defunct since 29 July 2015. Action had not been taken to attach employees relevant to Fire Brigade Service to other institutions having fire extinguish units.

3.5 Assets Management

Idle and Under-utilized assets

Following matters are observed.

- (a) While Proton Backhoe Loader and the Motor Grader Machine received on 07 May 2015 and 06 July 2015 had been parked in the office premises, opened to natural disasters.
- (b) Although 4 computers and accessories relevant to those had been provided through the Information and Communication Technology Agency of Sri Lanka on 18 November 2014, to commence a Nenasala in the Pradeshiya Sabha, action had not been taken to commence Nenasala.
- (c) Action had not been taken to utilize the computer and the printer purchased having spent a sum of Rs. 176,700 during January of the year under review for preparation of salaries of the Pradeshiya Sabha.

4. Good Governance and Accountability

4.1 Budgetary Control

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 Fulfillment of Environmental and Social Responsibilities

Although every Public Institution in fulfillment of own vision and mission should identify Environmental and Social Responsibilities relevant to that institution and follow strategy for fulfillment of those, a methodology had not been prepared and implemented by the Sabha for identification of their Environmental and Social Responsibilities.

4.3 Annual Procurement Plan

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

4.3 Internal Audit

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

4.5 Audit and Management Committee

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

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Vehicles Utilization
- (e) Assets Management
- (f) Stores Control.