

Kolonna Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 13 May 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 30 June 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kolonna Pradeshiya Sabha as at 31 December 2015 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 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The stock of pharmaceuticals items amounting to Rs.193,100 received as Ayurveda Aid during the year under review had not been accounted as Ayurveda Aid.
- (b) The investment interest of Rs.42,883 for the year under review had not been accounted for.
- (c) The stamp fees receivable as at end of the year under review had been identified as Rs.11,332,730. However, the stamp fees receivable as per accounts amounted to Rs.11,470,039. Accordingly, the stamp fees receivable had been understated by Rs.137,309.
- (d) A difference of Rs.328,776 was observed between the assets and liabilities as per Financial Status Statement. Action had not been taken to adjust the difference in a Suspense Account or to identify the error. It was understood that the cause was the difference relating to the furniture and fittings of the sundry creditors and the stores creditors.

1.3.2 Unreconciled Control Accounts

The following observations are made.

- (a) The differences relating to 8 items of accounts as per balances in the financial statements as at end of the year under the review and the balances in the subsidiary registers amounted to Rs.1,834,407
- (b) A comparison of the balances appearing in the votes ledger and the balances appearing in the financial statements in respect of 05 items of accounts showed a difference of Rs. 56,134.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.,

The following non-compliances with the laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

- (a) Pradeshiya Sabha Act No.15 of 1987 Section 132(j)
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The maximum amount that could be spent on festival activities from the funds of the Pradeshiya Sabha for a year is Rs.1,000. However, contravening this provision, a sum of Rs.150,000 had been spent from the funds of the Sabha to construct a pandal for the opening ceremony of the Embilipitiya Week End Fair which comes under the authoritative area of the Embilipitiya Urban Council which was far away from its own authoritative area.

- (b) Financial Regulations of the Republic of Sri Lanka
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Financial Regulation 371(2)

Ad hoc imprests granted should be immediately settled after fulfilment of the purpose. However, the unsettled advances as at end of the year under review amounted to Rs.83,310.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted to Rs.12,838,482 as against the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,099,507.

2.2 Analytical Financial Review

The financial operating surplus had increased by Rs.13,937,990 during the year under review and it was observed that it was a 1267 per cent increase than the previous year. Increase in other revenue and the decrease in recurrent expenditure during the year under review as compared with the previous year had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to the estimated revenue, actual revenue and the arrears of revenue, as furnished by the Secretary appear below.

Revenue Item	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	1,056	747	328
Lease Rent	3,438	2,987	-
Licence Fees	532	1,299	-
Other Revenue	25,426	29,126	14,144

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed that the revenue collected with regard to items such as tax revenue, lease rent revenue, service fees, warrant charges and fines, other revenue and the aid as compared with the budgeted amount showed a decrease of 31, 13, 37, 50,41 and 51 per cent respectively.

2.3.3 Court Fines and Stamp Fees

The following observations are made.

- (a) The Sabha had not received stamp fees of Rs.11,276,680 from the office of the Land Registry, Embilipitiya for the period November 2014 to December 2015, Rs.21,800 from the Land Registry, Ratnapura for the period December 2014 to December 2015 and Rs.34,250 from the Land Registry, Awisawella for the months of February and December 2014.
- (b) Court fines of Rs.383,166 was due from the Embilipitiya Magistrate's Courts for the period September to December 2015.

3. Operating Review

3.1 Management Inefficiencies

- (a) According to the register of crematorium of the Sabha, the number of crematoriums were 18. However, a sum of Rs.295,680 had been paid as survey fees for survey activities of 22 identified crematoriums. But, the survey plans had been obtained for 12 crematoriums only. Further, according to the information obtained from the Pradeshiya Sabha, 38 crematoriums were in existence. But, the Sabha was not in possession of title deeds or the related survey maps of these crematoriums. It was observed that further action was needed regarding the safety of these places.
- (b) There was no operator with proper knowledge in the Sabha to operate the FOTON BECKO machine bearing No.WPZA – 4929 obtained from the Ministry of Local Government and Provincial Councils so as to favourably use it to enable the Sabha to earn revenue or use it for the purpose of the Sabha. It was observed that a couple of vehicles had been entrusted to one identical driver as there were vacancies for the posts of drivers in the Sabha.
- (c) The land tax recovered from the Suriyakanda stalls for over 15 years had been based on a decision made by the Sabha in 1996 without being revised. Further, the Sabha had not taken action up to 30 June 2016 to enter into any legal agreements, whatsoever, with those lessees. As such, it was observed in audit that there appeared to be a risk of allowing room for sub letting or the Sabha had lost its opportunity of taking legal action in spite of the fact that the payment of land tax had come to a standstill.
- (d) The Pradeshiya Sabha had received 134 garbage containers worth Rs53,328 from the Department of Local Government via the Ministry of Local Government and Provincial Councils under the National Programme of collection of garbage by separating them in order to improve the waste material management of institutions. The stock of garbage containers had not been entered in books. Instead, it had been distributed according to the

discretion of members of the local authority. The norms adopted for such distribution had not been furnished for audit.

- (e) An unauthorized person had planned to construct a permanent two storied building by encroaching the land at the corner of a row of stalls at Suriyakanda town belonging to the Sabha and had already completed the construction of the basement. Although the Sabha had drawn its attention regarding this, there was delay in taking action to demolish the unauthorized structure and to take over the land.

3.2 Chairs for Voluntary Organizations

The following matters are observed.

- (a) A sum of Rs.1,200,000 had been granted for the Programme of distributing chairs to voluntary organizations under the Ministry of Provincial Councils. Of this, a sum of Rs.1,199,379 had been spent to purchase 1,598 chairs on 02 January 2015, deviating from the 2006 procurement procedure. The receipts and issues of the stock of chairs had not been entered in the stock books of the Sabha. It was observed from the daily note book of the watcher that the chairs had been transferred to the Sabha and the members of the Sabha had removed them.
- (b) The chairs removed by the members had been distributed among voluntary organizations. Meanwhile, it was not confirmed that the selection of voluntary organizations had been done properly. Further, chairs had been distributed without the supervision of the Sabha.
- (c) Physical verifications revealed that chairs had been distributed at the rate of 50 chairs per society even to societies formed as one group by the gathering of members belonging to various societies. 631 chairs had been distributed to societies which had not been registered at the Divisional Secretariat.
- (d) It was observed at a physical verification carried out on 08 February 2016 that there were differences between the number of chairs reported as distributed and the number of chairs actually distributed. Accordingly, information was not available for 25 chairs valued at Rs.18,750 said to have been distributed. The distribution of 381 chairs valued at Rs.285,959 could not be physically confirmed.
- (e) According to the letter of the Commissioner of Elections dated 22 November 2014, no candidate should use government property to promote a particular political party, till the results of the Presidential Election was announced. In spite of the attention drawn by this letter, chairs had been distributed during the period of Presidential Election, contravening the said directives.

3.3 Assets Management

(a) Idle and under utilized Assets

- (i) The galie bowser bearing No.SG RD – 7992 given by Sabaragamuwa Provincial Council on 26 November 2014 remained inoperative even at present due to lack of a trained driver and a place to dispose of, the waste materials.
- (ii) Action had not been taken to repair or to dispose of, or to auction in terms of Public Finance Circular No.353, the tractor bearing No.SG RA – 5736 (Engine), a cab bearing No.252 – 6374, a van bearing No. WP HC – 3716 and a tractor (Engine) bearing No.SG HP – 3816, all of which were not in running condition. These had been parked in the premises of the Sabha. Also, action had not been taken to report to the Commissioner of Motor Traffic that the said vehicles were not in running condition.

(b) Irregular usage of Assets without acquiring them

- (i) The Sabha had not taken action to properly acquire and safeguard 06 blocks of land such as the week end fair premises, play grounds and the garbage disposal centre said to have been identified as lands belonging to the Sabha.
- (ii) A survey fees of Rs.13,440 had been paid on 26 June 2012 vide cheque No.091011 to survey the land used as crematorium with an extent of 02 roods and 34 perches, named Kolonna Konegahahena. But, at present a new building is being constructed for the Sabha and the finalization of acquiring the land had not been done.

3.4 Solid Waste Material Management

Although a proper method of garbage management had been implemented during the year under review, it was observed that the decaying garbage collected in the town continued to be dumped in an open space by burying it in the soil, even at present.

4. Good Governance and Accountability

4.1 Annual Procurement Plan

An annual Procurement Plan for the year under review had not been prepared and action taken accordingly.

4.2 Internal Audit

Action had not been taken to establish an internal audit, and operate it by to affording necessary facilities to it.

4.3 Implementation of Audit and Management Committees

Action had not been taken to establish Audit and Management Committees and to implement them.

5. 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
- (d) Solid Waste Material Management