

**Rajgama Pradeshiya Sabha**  
**Galle 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 2017 had been presented for audit on 19 March 2018 and the report of the Auditor General on those financial statements had been issued to the Chairman on 29 September 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Rajgama Pradeshiya Sabha. as at 31 December 2017 and its financial performance 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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The following deficiencies were observed.

- (a) Fixed deposit interest revenue of the year under review and fixed deposit interest revenue for the preceding year had been under-stated in accounts by Rs.72,293 and Rs.20,830 respectively.
- (b) During the year under review trade licence debtors had been overstated by Rs.27,208 while court fine debtors had been under-stated by Rs.51,000 in accounts.
- (c) Capital aids during the year under review had been overstated in accounts by Rs.495,540.
- (d) Rs.351,842 recovered from advances issued during the year under review had not been brought to account as an expenditure.
- (e) Contribution of Rs.13,677,180 payable to Local Government Pension Fund as at 31 December of the year under review had not been brought to account.
- (f) Rs.39,550 recoverable for No-Pay leave had not been brought to account.

### **1.3.2 Unreconciled Accounts**

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Variances were observed between balance applicable to 06 account captions totalled at Rs.100,241,952 shown in Financial Statements and balance shown in related documents leading to a total variance of Rs.1,808,553.

### **1.3.3 Suspense Account**

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Debit balance of Rs.288,833 of the Suspense Account had not been brought to account even by the year under review.

### **1.3.4 Accounts Receivable and Payable**

#### **(a) Accounts Receivable**

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The following observations were made.

- (i) Action had not been taken during the year under review to identify and settle 05 account balances receivable amounting to Rs.10,053,912 being brought forward in financial statements over a long period.
- (ii) Action had not been taken even during the year under review to settle Rs.1,878,640 being industrial debtors applicable to an industry in 2014.

#### **(b) Accounts Payable**

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The following observations were made.

- (i) Action had not been taken even during the year under review to identify and settle 02 account balances, total of which amounted to Rs.571,597 previously received revenue and money payable to officers being brought forward unchanged since 2001..
- (ii) Action had not been taken even during the year under review to settle other Creditors balance of Rs.553,504 being brought forward unchanged since 2015.
- (iii) Action had not been taken even during the year under review to settle a total sum of Rs. 2,492,788 exceeding 04 years and available within Industrial Creditors balance of Rs.5,507,420.

### 1.3.5 Lack of Written Evidence for Audit

#### Non Presentation of Information for Audit

The following observations were made.

- (a) It was not possible to verify satisfactorily at audit 12 account captions totalled at Rs.33,211,172 due to non-presentation of required information.
- (b) Balances water industry stock of Rs.234,633 and steel cabinets of Rs.73,764 not available either physically or documentarily had been stated in financial statements of the year under review.

### 1.3.6 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

<b>Reference to laws, rule: regulations &amp; management decisions</b>	<b>Non Compliance</b>
<b>(a)</b> Pradeshiya Sabha Rules (financial and Administration) 1988 (i) Rule 33  (ii) Rule 59	Lists on individuals who defaulted the payment of rates and taxes and list of warrants of forfeiting property had not been prepared.  A survey on industries within the areas of authority had not been conducted nor had a register on the same been prepared.
<b>(b)</b> <b>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</b>  FR 1645, 1646	Daily running charts and monthly performance summaries on vehicles owned by the Sabha had not been submitted for audit.

(c) Employees Trust Fund  
Act No.46 of 1980

Due to non payment of 3 percent contribution payable to Employees Trust Fund in respect of 06 substitute employees for the period from 2002 to 2010, a surcharge of Rs.25,222 had been paid utilizing the Sabha fund.

**2. Financial Review**  
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**2.1 Financial Results**  
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According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.18,611,431 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to 22,308,224.

**2.2 Revenue Administration**  
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**2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears**  
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Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows:

Source of Revenue	Estimated Revenue	2017			Total in Arrears as at 31 Decemb.	2016			Total in Arrears as at 31 Decemb.
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
(i) Rates & Taxes	1,372,294	1,235,812	1,601,703	15,302,885	1,500,000	1,434,164	881,743	10,741,108	
(ii) Lease Rent	105,600	105,600	110,590	669,054	1,000,000	105,600	108,090	674,044	
(iii) Licence Fee	568,183	675,587	675,587	81,622	800,000	34,621,090	521,399	81,622	
	2,046,077	2,016,999	2,387,880	16,053,561	3,300,000	36,160,854	1,511,232	11,496,774	

**2.2.2 Rates and Taxes**  
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**(a) Rates**  
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The following observations were made.

- (i) Out of the rates & taxes of Rs.11,976,920 recoverable for the year under review, recovery had been limited only to 13 percent. Accordingly balances of rates and taxes in arrears at the end of the year had been Rs.15,302,885. This balance in comparison to opening balance had been increased by Rs.4,561,777. Although two property forfeiting officers had been instructed with the task of recovery of arrears in 2017 amounting to Rs.2,424,589, they were succeed in the recovery of only 17 percent.
- (ii) Attention of the Sabha had not been paid for implementing formal arrangement towards recovery of rates in arrears as per Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

(b) **Business Taxes**

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Out of Business Tax in arrears of Rs.179,800 remained at the beginning of the year under review and billed amount of Rs.151,130, only 40 percent had been recovered during the year. However arrears at the end of the year had been swelled upto Rs.197,410. No formal arrangement had been implemented as per Section 152(4) of the Pradeshiya Sabha Act No.15 of 1987.

**2.2.3 Lease Rent**

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Of the lease rent in arrears of Rs.674,044 existed at the beginning of the year under review and billed amount of Rs.105,600, only 14 percent had been recovered during the year. Accordingly stall rent balance in arrears at the end of the year had been Rs.669,054. However action had not been taken during the year under review to recover revenue in arrears in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987.

**2.2.4 Licence Fees**

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Of the licence fee in arrears of Rs.81,622 existed at the beginning of the year under review and billed amount of Rs.675,587, only 89 percent had been recovered during the year. Even the opening balance in arrears being Rs.81,622 had not been recovered. Accordingly action had not been taken to recover licence fees in terms of Section 152(4) of the Pradeshiya Sabha Act No.15 of 1987.

**2.2.5 Court Fines and Stam Fees**

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Court fines of Rs.12,918,424 and stamp fees of Rs.40,464,699 had to be recovered as at 31 December 2017 from the Chief Secretary and other authorities of the Provincial Council.

### 3. **Operating Review**

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#### 3.1 **Performance**

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Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under Section 3 of the Pradeshiya Sabha Act are as follows:

##### (a) **By-Laws**

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Although by-laws had to be enacted under Section 126 of the Pradeshiya Sabha Act to fulfill 30 main activities, no such by-laws had been enacted by 31 December 2017.

##### (b) **Action Plan**

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Annual Action plan had not been prepared in respect of activities to be performed by the Pradeshiya Sabha.

##### (c) **Activities Abandoned**

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Approval had been granted to complete 13 project proposals utilizing provision of Rs.1,000,000 received on 08 September 2016 from the Ministry of Provincial Councils and Local Government under Pradeshiya Sabha Empowering Project. Any of the approved projects had not been implemented. Rs.146,200 had been spent to repair vehicles owned by the Sabha while the balance amount of Rs.853,800 had been returned to the relevant Ministry in August 2017 without utilizing the same for useful project.

##### (d) **Solid Waste Management**

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At the auditing of solid waste management the following information were revealed.

- (i) Rubbish separated and obtained from the Pradeshiya Sabha were delivered to Monroviawatta and long term formal waste management plan had not been prepared as per Guideline No. PL/1/5/12 issued by the Secretary, Ministry of Provincial Councils and Local Government with regard to waste management.
- (ii) Machinery and equipment of Rs599,000 utilized for compost production had been remaining idle..
- (iii) 930 waste putting bins issued by the Department of Local Government for distribution within the area of authority, had been remaining idle.

**(e) Sustainable Development Targets**  
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The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

**3.2 Management Inefficiencies**  
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The following inefficiencies were observed.

- (a) Gully Bowser which had been earning a monthly income of approximately Reuppes two lakhs remained inoperative since 2014. Although Michanical Engineer of the Department of Local Government, Southern Province had informed the authorities in September 2014 to take action to repair the bowser, no action had been taken even by April 2018 in this regard.
- (b) As the Sabha had not taken action to produce bills relating to on-going industry under Development Plan 2014 to Assistant Director (Planning), the payment for the bill had been rejected and its value of Rs.268,849 had to be paid from Sabha Fund.

**3.3 Human Resources Management**  
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**(a) Staff Vacancies and Excesses**  
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10 individuals had been employed in excess of the staff in the approved cadre under Cadre Plan while 04 vacancies existed in the approved posts. However no action had been taken either to fill vacancies or to regularize excess posts.

**(b) Staff Loan**  
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Action had not been taken to recover loan balances of Rs.335,387 recoverable from 11 employees who served the Sabha.

**3.4 Uneconomical Transactions**  
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02 lavatory systems had been constructed near public market for the benefit of low income recipients in the area of authority utilising the loan of Rs.1,748,007 obtained in 2002 from Local Credit Development Fund. After 04 years the lavatory system had been removed from that place to have speace to establish a statue for which no approval of the Sabha had been obtained. Loan instalments at the rate of Rs.15,497 per month had to be paid upto 30 March 2021 to settle the loan from which no benefit whatsoever had been received for the People in the area of authority.

#### 4. **Accountability and Good Governance**

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##### 4.1 **Prsentation of Financial Statements**

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Revised financial statements for the year under review had been presented on 05 April 2018.

##### 4.2 **Budgetary Control**

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A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) Savings totalling Rs.9,465,063 applicable to 06 Recurrent expenditure captions were shown, value of which ranged between 3 percent to 85 percent.
- (b) Expenditure of Rs.220,431 had been made in excess of the approved limits of two expenditure captions, value of which remained as 31 prcent to 33 percent.
- (c) Adverse variance of one revenue caption had been Rs.378,708 value of which had been 20 percent.

##### 4.3 **Internal Auditing**

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Although an Internal Auditor had been appointed for the Sabha, sufficient auditing had not been done.

#### 5. **Systems and Control**

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Shortcomings observed at the auditing were brought to the attention of the Sabha and special attention shall be paid to the following fields.

<u>System</u>	<u>Defect</u>
(a) Fixed Assets	(i) Fixed Assets Register had not been maintained property..
	(ii) Annual Board of Surveys on lands and buildings had not been conducted.
(b) Collection of Revenue	(i) Irregularity in the recovery of revenue in arrears.
	(ii) Non preparation of time analysis on revenue in arrears.



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|     |                                 | (iii) | Non recovery of rates having identified developed areas.  |
| (c) | Accounting and document keeping | (i)   | Action had not been taken to settle account balances being brought forward continuously from preceding years. |
|     |                                 | (ii)  | Variance existed between balances shown in financial statements and related schedules..                       |
|     |                                 | (iii) | Non maintaining a register on the repayment of loan installments obtained from Local Credit Development Fund. |
| (d) | Staff Management                | (i)   | Non formalization of excess staff of the Sabha.   |
|     |                                 | (ii)  | Non recovery of loan balances of officers retired or died.  |
| (e) | Financial Management            |       | Non updating of bank reconciliation.  |
| (f) | Budgetary Control               |       | Action had neither been taken to follow up expenditure & revenue nor to amend budget.                         |