

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017, had been presented to audit on 09 April 2018 and the Auditor General's Report on the financial statement had been sent to the Chairman on 28 June 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements gave a true and fair view of the financial position of the_Raththota 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

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- a) The value of 2 contracts amounting to Rs. 1,200,000 which had not been carried out or entered in to agreements during the year under review had been taken in to accounts as creditors. Hence the expenditure and the creditors of the year had been overstated by the same amount.
- b) Capital expenditure and the creditors had been overstated by Rs. 28,774 due to the correct amount not being taken in to accounts relating to expenditure of 2 contracts.
- c) Although the assets were not physically existence, the value of 6 buildings amounting to Rs. 634,455, two carts amounting to Rs.15, 330 and plant and machinery amounting to Rs.327, 500 had been overstated.
- d) A sum of Rs. 48,791 had been shown in the financial statements as debtors relating to 4 contracts of which the final payments and retention as well had already been paid during the year under review. As a result, the debtor balance had been overstated by Rs.48, 791.
 - i. Contract retention money amounting to Rs. 48,837 which had reimbursed during the year under review had not been taken in to accounts correctly. As a result the capital aid had been overstated and creditors had been understated by the same amount.

- ii. The above mentioned reimbursed amount had not been adjusted to the debtors and another sum of Rs. 14,255 which was not receivable had been shown as debtors. Hence the debtor balance had been overstated by Rs. 63,092.
- f) Although the assets had been auctioned in 2017, the balances of plant and machinery and furniture and fittings had been overstated in the accounts by Rs.291,750 and Rs. 41,385 respectively because the said assets had not been written off from the accounts.
 - g) The values of garbage compress machine and a patient's bed received under the Puranaguma Project and the value of 1" 134 GI pipes identified in the board of survey in the year 2017 had not been taken in to accounts under fixed assets.
 - h) The value of 4 buildings amounting to Rs. 1,862,172 of which the work had been completed in the year 2016 according to the contract files had not been capitalized.
 - i) The balance of stores creditors as at the end of the year under review had been overstated by Rs. 4,840,350.
 - j) The receivable income of stamp fees as at the end of the year under review had been understated by Rs.415, 360.
 - k) The value of the closing stock had been understated by Rs.69, 900 in the balance sheet.
 - l) The land, part of the land named S.K valued at Rs.25, 000 and 24 per chace in extent which had transferred to the Sabha on 27 June 2005 under the deed No. 2746 had not been taken in to accounts.

1.3.2 Unreconciled Accounts

Differences were observed between the balances relating to 6 accounts items amounting to Rs. 76,362,599 shown in the financial statements and the relevant balances shown in the subsidiary registers and records whilst the total of differences was Rs.16, 228,871.

1.3.3 Suspense Accounts

The balance of Rs.15, 462 brought forward in the suspense account continuously since the year 1997 had been shown in the financial statements continuously without being settled.

1.3.4 Accounts payable and Receivable

a) Accounts Receivable

The total of 11 receivable accounts as at the end of the year under review was Rs. 30,709,479 and according to the age analysis presented a balance of Rs.4,433,115 remained unsettled over a period more than 5 years had included in it.

b) Accounts Payable

The total of 2 payable accounts as at the end of the year under review was Rs. 30,172,305 and according to the age analysis presented balances of Rs.1,167,714 remained unsettled over a period more than 5 years had included in it.

1.3.5 Lack of Written Evidence for Audit

Information not being presented to Audit

Seven items of accounts aggregating Rs. 178,359,446 could not be satisfactorily verified due to non-availability of necessary information.

1.3.6 Non - Compliances

Non- compliances with Laws Rules Regulations and Management Decisions

Instances of non-compliance with laws rules regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and management decisions	Amount	Non - Compliance
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	Rs.	
Pradeshya Sabha Rules of 1988 (Financial and Administration)		
a) Rule 69	-	A register for tax on sales of lands had not been maintained as per the P.S.26 C format.
b) Rule 115	857,083	Ayurveda drugs and library books had been purchased without confirming that the goods had received to the stores or included in the inventory or stock book.
c) Rule 217		A register for land and buildings had not been maintained as per the P.S 46 format.

d) Rule 218

A survey had not been carried out in respect of lands and buildings, roads, cemeteries, common wells belong to the Sabha from the beginning of the Sabha up to now.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha for the year ended 31 December 2017 in excess of , the recurrent expenditure was Rs.9,683,851 whilst the corresponding revenue in excess of recurrent expenditure of the previous year was Rs.16,758,888.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Bill amount of Revenue, collected Revenue and Outstanding Revenue

Details relating to the estimated revenue bill amount of revenue collected revenue and outstanding revenue presented for the year under review and the previous year are given below.

	<u>2017</u>				<u>2016</u>			
Source of Income	Estimated Revenue	Bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rate and Taxes	8,612,000	9,291,442	7,692,173	9,326,463	6,287,900	8,098,641	7,343,989	7,735,636
ii Rent	2,220,000	2,524,000	2,051,685	1,233,756	2,428,000	2,207,477	2,106,786	761,470
iii Licences Fees	900,000	992,460	992,460	405,686	850,000	963,600	963,600	405,686
iv Other Revenue	1,495,000	-	1,803,055	-	1,403,360	-	1,836,329	-

2.2.2 Rate and Taxes

a) Rates

I. The outstanding rate tax as at 31 December of the year under review was Rs.1,539,310 and a balances of Rs. 309,960 remained more than a period of 1 to 5 years had included in it.

II. Although it had been taken in to the registers of the Sabha, there was a rate tax balance of Rs.365, 064 receivable from houses of the Nikawalla Road belong to 19 properties which was not published as a developed area and not estimated.

b) Acreage Tax

Although it had been included in bill for acreage tax in a ground of not being published by the Minister as a special area as per the 134(3) of the Pradeshiya Sabha Act, the outstanding acreage tax balance as at the end of the year under review was Rs. 365,331 and balances of Rs. 125,664 remained more than 1 to 5 years had included in it.

c) Water Charges

(i) The outstanding water charges as at 31 December of the year under review was Rs. 7,421,822 and balances of Rs. 1,257,266 remained more than 1 to 5 years had included in it.

(ii) Out of 4529 customers given water connections as at the end of the year under review, water meters had been fixed only for 187 customers. As a result a fixed amount of monthly rate had been charged from 4342 customers deviating proper methodology.

(iii) An outstanding water charges of Rs.98, 165 from 70 customers of Sawsiripura Water Project which was inactivated since the year 2014 and Rs.168, 016 from 100 customers in Udaweragama were remained as unrecoverable.

2.2.3 License Fees

The outstanding license fees as at 31 December of the year under review was Rs. 405,686 and it had been brought forward before 5 years.

2.2.4 Lease Rent

The outstanding lease rent as at 31 December of the year under review was Rs.1, 233,756 and a balance of Rs.530, 166 remained more than a year had included in it.

2.2.5 Court Fines and Stamp Fees

The receivable amount of Court Fines and Stamp Fees from the chief secretary to the provincial council and other officers as at 31 December of the year under review was Rs.690,500 and Rs.9,011,050 respectively.

2.3 Surcharges

A sum of Rs.912,514 should be recovered as at 31 December of the year under review relating to the surcharges enacted by me against to responsible persons as per the terms of the pradesheya sabha Act and out of that a sum of Rs.130,586 had been recovered up to 8 June 2018.

3. Operating Review

3.1 Performance

The following observations are made in respect of duties which should be fulfilled by the sabha relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare.

a) By Laws

Although by laws should be enacted to fulfil 2 key functions under the section 126 of the pradeshiya sabha Act, such by laws had not been enacted.

b) Non achieving of Expected Production Level

As per the budget for the year under review, it was mentioned that a special activity to be implemented was to complete work of the children park and to facilitate entertainments of the children in the area. Even though a sum of Rs.2, 847,305 had been spent in the year 2015 and 2017 for purchasing children park's equipment and developing activities of Kuruwawa Children Park, constructions of the Children Park had not been completed as possible as to use.

c) Delays in Achieving Targets

Constructions relating to 9 projects of which a provision of Rs.5, 550,000 had been made under the Pradeshiya Sabha Fund of the year 2017 had not been even commenced as at 20 March 2018.

d) Solid Waste Management

- (i) The sabha had followed a methodology that out of the garbage daily collected in the jurisdiction almost 2 tons had used to product 15 kilograms of fertilizer by using 2 tractors, compactor and 10 employees of the Sabha whilst almost 25 per cent of garbage not decayed had been cluttered.

(ii) Kuruwawa Garbage Separation Center constructed incurring Rs.1,919,223 in the years 2016 and 2017 had remained idle and there was no proper plan in respect of the methodology to carry out garbage separation activities.

e) Sustainable Development Goals

The monitoring methodologies under the 2030 Agenda for sustainable development for achieving goals of sustainable development such as improving enterprises and pure water and sanitary services of the city had not been identified by the Sabha. Further deficiencies such as lack of adequate staff, minimum resources and lack of adequate knowledge of the staff about the sustainable development goals had affected to achieve such goals.

3.2 Management Inefficiencies

A balance of advance amounting to Rs. 174,687 relating to the period from the year 1999 to the year 2010 had not been settled.

3.3 Human Resources Management

Actions had not been taken to recover a loan balance of Rs.56, 656 recoverable from the officers retired, vacated posts and diseased.

3.4 Operating Inefficiencies

The following observations are made

- a) Out of the 118 building applications received during the year and 2 preceding years , approval had been given for 97 applications. However certificates of completion had been given only for 11 applications.
- b) According to the Circular of the Commissioner of Local Government Central Province No.2016/3 dated 17 March 2016, stall rents had been recovered from the year 2011 to the year 2017 based on the estimate of the year 2009 from 9 stalls of Kaikawala area and stall rent of Rs. 1,000 per month had been recovered from 4 stalls of T.D. Jayarathne Mawatha based on a Council Decision since February 2012.
- c) Although monthly rent had been estimated by the provincial assessor for 22 stalls of T.D. Jayarathna Mawatha in the year 2009, the revised estimation could not be carried out due to the contradictions. Accordingly as per the Decision No.4.4.11 of the Council held on August 2010 rental had been revised and recovered an amount less than the estimated rental thus a loss of Rs. 2,013,060 had been occurred to the Sabha since January 2011 to December 2017 .

- d) Although the monthly rental had been estimated by the provincial assessor for 20 stalls of Ranjan Wijerathna Mawatha in the year 2009, a rent less than that had been recovered and the rental had not been assessed once in 5 years thus a sum of Rs. 411,720 had lost to the sabha since 2011 January to December 2017.

3.5 Assets Management

3.5.1 Maintenance and Repairs not being carried out

The milometer of the cab which had out of order since 22 May 2017 had not been repaired even up to 20 December 2017 and a sum of Rs.84, 550 had been issued for fuel of this vehicle during the year 2017.

3.5.2 Assets not being transferred

Actions had not been taken to transfer the ownership of the Mitsubishi cab valued at Rs. 1,500,000 received from the Ministry of Local Government in the year 1988.

3.5.3 Idle and Underutilized Assets

The following observations are made

- a) Actions had not been taken to dispose or to repair and take to use 9 vehicles valued at Rs.1, 632,150 which were not in the condition of use.
- b) The 2 storied weekly fair building of which the construction had been completed on 16 March 2015 incurring Rs.12, 751,577 in the year 2014 under the Puranaguma Project had been remained idle.

3.5.4 Assets not being assured

Part of the land of Ankelimadilla Maussagolla Cemetery had been captured by a private resident due to the ownership of the land not being confirmed and a sum of Rs.89,000 had been incurred from the year 2011 to the year 2017 as the lawyers charges of the case in this regard.

3.6 Procurement

3.6.1 Procurement Plan

According to the Government Procurement Guideline 4.2.1 and 4.2.2, a master procurement plan, a detailed procurement plan including civil works and goods and other services and procurement timetable had not been prepared whilst purchasing's of Rs. 3,898,678 had been made from January to December 2017.

3.6.2 Supplies and Services

The following observations are made in connection with purchasing made during the year.

- a) Actions had not been taken as per the Rule 178 (7) (1) and 178(7) (4) of the 1988 Pradeshiya Sabha (financial and Administration) in connection with prices relating to purchasing's of Rs.217,304 and Rs.822,895 which was subject to the sample test.

- b) According to the Section 3.4.3 (c) and 5.6 of the Government Procurement Guideline, without calling quotations preparing short and clear specifications and mention only the names of necessary equipment, office equipment valued at Rs.647,590 had been purchased from a private institution without transparency in a ground of 11 suppliers had registered.

3.6.3 Contract Administration

The following observations are made.

- a) Partition of Raththota Public Library
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The contract had get carried out by a private institute selected by calling quotations incurring a sum of Rs. 303,270 from the Sabha Fund and purchasing materials incurring a sum of Rs.204,876 by the Sabha. However proper estimate had not been prepared and an agreement had not been signed with the selected private institute.

- b) Modernization of Telephone System of the Sabha
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Quotations had been called from 4 institutes on 12 May 2017 for modernization of internal telephone system of the Sabha and the work had get carried out from a private institute and a sum of Rs.152,750 had been paid as well. However quotations could not be compared properly because the number of telephones need and other details had not been mentioned clearly in the invitations of calling quotations and an agreement had not been signed with the selected private institute.

4. Accountability and Good Governness

4.1 Budgetary Control

The following observations are made.

- a) Any income had not been recovered from the estimated revenue of Rs.10,230,000 relating to 7 revenue items and variations in a range from 46 percent to 8697 percent were observed between the estimated revenue and the actual revenue relating to 27 revenue items.

- b) Any expenditure had not been incurred out of the provision of Rs.504,000 made for 15 expenditure items and variations in a range from 40 percent to 98 percent were observed between the net provision and the actual expenditure relating to 21 expenditure items .

4.2 Implementation of Audit and Management Committees

Although audit and Management committees had been held according to the letter of the commissioner of the Local Government No.CPC/CLG/1/9/1/4 dated 08 August 2014, there were instances of nonutilizing the committee decisions effectively for rectifying defficiencies of the institute.

5. Systems and Controls

Defficiencies observed in the course of audit were brought to the notice of the Sabha from time to time and Special attention is needed in respect of the following areas of control.

	System	Deficiency
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a)	Debtors/Creditors	(i) Over accounting of debtors and creditors (ii) Non-settlement of creditors (iii) Non-recovering of money from debtors
b)	Assets/Properties	(i) Fixed assets registers not being maintained (ii) Fixed assets surveys not being carried out (iii) Assets not being accounted properly (iv) Auctioned assets not being written off (v) Assets being underutilized and idle.
c)	Stocks	(i) There were stocks not being entered into registers (ii) Auctioned stocks not being written off from the registers.