

**Buththala Pradeshiya Sabha
Moneragala District**

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 28 February 2019, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 30 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the part, basis for qualified opinion in my report the financial statements give a true and fair view of the financial position of the Buththala Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the qualified opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Although balance of the Fixed Assets Account should be equal to the total of the Contribution from Revenue to Capital Outlay Account and Contribution through Grants to Capital Outlay Account, there was a difference of Rs.10,020,000 between those two balances	Balances of relevant accounts should be equal.	It is a deficiency Relating to the year 2013 and has been rectified in the financial statements for the year 2019 through journal entries.
(ii) Although the correct Stamp Fees Revenue relevant to the Year under review amounts to Rs. 5,600,780, it had been shown as Rs. 2,675,405.	Correct value should be accounted.	The schedules were received after preparing accounts Error rectified through. journal entry No. 52 in2019
(iii) Although the arrears of Stamp Fees Revenue at the end of the	Correct value should be accounted.	The schedules were received after preparing accounts Error rectified through. journal

year under review was Rs. 4,768,916, it had been shown As Rs. 1,820,642.

entry No. 52 in 2019

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| (iv) | Although Courts Fines Revenue for the year under review was Rs. 4,130,147, it had been shown as Rs. .4,025,468. | Accounts should be prepared correctly. | The schedules were received after preparing accounts, Error rectified through. journal entry No. 52 in 2019. |
| (v) | Recurrent expenditure amounting to Rs. 475,469 incurred during the year under review had been accounted as capital expenditure | Accounts should be prepared correctly. Accounts should be prepared correctly | Expenditure has been recorded erroneously. Will be rectified in due course. |
| (vi) | Debtors provision had been made during the year under review as well for a sum of Rs. 253,481 recovered during the preceding year for hiring out the Motor Grader Machine belongs to the Sabha. | Accounts should be prepared correctly. | Rectified vide journal entry No.53 in the financial statement for2019. |
| (vii). | Provision had not been made for Expenditure amounting to Rs.46,475 for the year under Review. | Accounts should be prepared correctly. | Creditors have been understated due to an error. Rectified vide journal entry No.54 in the financial statements for2019. |
| (viii) | A sum of Rs.25,389 had been over provided on account of contribution payable to Public Service Provident Fund at the review. | Accounts should be prepared correctly. | Rectified vide journal entry No. 55 in the the financial end of the year under for the year 2019. |

(b) Non-reconciled Control Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

The was a difference of Rs. 68,054 between balances shown in the financial statements submitted for the year under review and balances in the Registers of Business / Industrial

Registers and schedules should be updated, reasons for the differences should be looked

Differences have occurred due to change of officers' duties and failure in making entries in the registers.

Taxes, Trade Licenses and arrears of Water Charges. into and corrections should be made accordingly.

(c) **Lack of Evidence for Audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
Non-submission of age analysis relevant to an assets item amounting to Rs. 2,513,581 and confirmation of balances amounting to Rs. 117,379,437, payable to Local Loans and Development Fund.	Evidence confirming account balances should be furnished.	An age analysis will be submitted in due course. Although a request was made to send confirmation of balances, those have not been sent so far.

1.4 **Non-compliances**

Non-compliance with Laws, Rules and Regulations

Reference to Laws, Rule and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
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Pradeshya Sabha Act No. 15 of 1987

	Periodical Reports had not been called for, to enable the assessment of annual value of places subject to imposition of rates.	Provisions in the Act should be complied with.	While periodical reports were not called up to now, will be called for in due course.
(i) Section 139		Provisions in the Act should be complied with	

(ii) Sections 158,162 and 163 Rates amounting to Rs. 2,513,581 due as at 31 December of the year under review had not been recovered.

A sum of Rs. 374,342 has been recovered as at 30.04.2019. Action will be taken to recover amounts in arrears.

2 Financial Review

2.1 Financial Results.

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. . 7,208,783 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 6,022,021 According to

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Revenue Collected
	Rs..	Rs..	Rs..	Rs..	Rs..	Rs..	Rs..	Rs..
(i) Rates and Taxes	2,219,792	2,231,792	1,294,043	937,749	2,283,220	2,187,505	1,508,723	678,782
(ii) Rent	6,041,600	6,730,946	6,581,511	149,435	5,860,800	5,709,700	5,536,200	173,500
(iii) License Fees	1,141,000	1,570,772	1,570,772	-	1,174,000	1,174,559	1,174,559	-
(iv) Other Revenue	29,473,500	22,224,707	15,080,568	7,144,139	18,840,640	22,584,464	14,993,616	7,590,848
Total	38,875,892	32,758,217	24,526,894	8,231,323	28,158,660	31,656,228	23,213,098	8,443,130

2.2.2 Peerformance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
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While a sum of Rs.8,231,323 had not been recovered out of the total revenue billed amounting to Rs.32,758,217 for the year under review, it was 25 percent of the total revenue billed	Arrears of revenue should be recovered.	While Court Fines and Stamp Fees amounting to Rs. 3.7 million are due to recovered, arrears of rates will be recovered by seizing properties. There is a sum of Rs. 2.9 million as machine rent to be recovered.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although the properties subject to Rates should be assessed once in 5 years, no assessment had been made after 2007.	Properties should be assessed once in 05 years.	Re-assessments have been commenced since 27. 06 2016.
(b) Out of arrears of Rates Revenue amounting to Rs.2,604,697 at the beginning of the year under review a sum of Rs. .1,581,832 or 61 percent had not been recovered.	Arrears of Rates should be recovered	It had been stated that action will be taken to seize properties in due course and the issue will be placed before the Sabha to decide with regard to government properties.
(c) Out of Rates Revenue amounting to Rs. 1,980,725 billed during the year under review, a sum of Rs. 931,749 or 47 percent had not been recovered as at 31 December of the year under review.	Arrears of Rates should be recovered.	It had been stated that action will be taken to seize properties in due course and the issue will be placed before the Sabha to decide with regard to government properties.

2.2.4 Water Charges Revenue

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Water Charges Revenue remaining unrecovered for more than a period of one year was Rs.408,099.	Arrears of Water Charges should be recovered.	While there is an arrears of disconnected water supplies amounting to Rs. 38,000, balance arrears is being recovered. Balance as at 31.03.2019 is Rs.75,510.

2.2.5 **Publicity Advertisements Boards Charges.**

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A total sum of Rs. 2,508,831 as Rs. 410,900 for the preceding year and a sum of Rs. 2,097,931 for the year under review, had not been recovered from 343 Publicity Advertisement Boards exhibited in the area of authority of he Sabha.	Arrears of Publicity Advertisements Boards Charges should be recovered.	Letters have been sent to the relevant establishments informing them to make payments.

2.2.6 **Tele Transmission Towers Revenue** -----

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
A balance of Rs. 141,000 in arrears for more than one year and charges amounting to Rs. 6,000 relevant to the year under review relevant to transmission towers belong to 02 establishments, erected in the area of authority of the Sabha had not been recovered.	Arrears of Tele Transmission Towers Revenue should be recovered.	It is a balance in arrears over a number of years and a sum of Rs. 33,000 has been recovered by now. .

2.2.7 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
Court Fines amounting to Rs. 1,997,877 and Stamp Fees amounting to Rs. 1,820,642 were outstanding to be recovered as at 31 December of the year under review.	Arrears of Court Fines and Stamp Fees should be recovered.	While a sum of Rs. 981,640 has been received out of arrears of court fines, schedules relevant to period from July to September 2018 were prepared and sent to the Provincial Revenue Department on 08.03.2019 to obtain stamp fees amounting to Rs. 1,820,642.

2.3 Surcharges

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 733,241 remained outstanding to be recovered on account of surcharges imposed by me in terms provisions in the Pradeshiya, against parties responsible.	Surcharges in arrears should be recovered.	Recovery of surcharges is done by the Department of Local Government while orders have been given to pay surcharges.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Although by-laws should be imposed to perform 30 main tasks under Section 126 of the Pradeshiya Sabha Act, by-laws had not been imposed for 20 task even as at 31 December of the year under review.

By-laws should be imposed for tasks for which by-laws have not been imposed. .

Gazette No 1816/43 dated 2013.06.28 was published embracing 21 by-laws out of 23 by-laws. Ten by-laws have been published in the gazette.

(b) Action Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

An action Plan had not been prepared or the year under review.

An Action Plan should be prepared.

Four Yearly Action Plan will be prepared in due course.

(C) Works not performed

Audit Observation

Recommendation

Comments of the Accounting Officer

Although provisions amounting to Rs. 18,120,000 had been made to perform 24 projects according to the budget for the year under review, any project had not been implemented during the year under review.

Projects planned through the annual budget should be implemented during the year.

Some works will be performed during the year 2019.

(d) **Solid Wastes Management**

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the activities of the Solid Wastes Management Centre of the Sabha had been commenced during the year 2012, Environmental Permit had not been obtained even up to the end of the year under review.	Environmental Permit should be obtained.	Action will be taken to obtain the Environmental Permit during the year 2019.

(e) **Sustainable Development Goals**

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although the Sabha was aware of the “Sustainable Development Agenda 2030” of the United Nations, indexes for measuring sustainable development objectives and goals identified as applicable to the Sabha had not been identified.	Indexes for measuring sustainable development objectives and goals should be identified and progress in reaching those should be measured annually.	Action will be taken in due course to identify sustainable development goals and act accordingly after discussions.

3.2 **Management Inefficiencies**

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)

Although it had been notified vide Gazette No. 2050 dated 15 December 2017 that charges will be levied by the Sabha for vehicle parking places in Buththala, Pelawatte and Okkampititya	Vehicle Parking Fees should be recovered.	Relevant by-law has been sanctioned by the Sabha in December 2018 and action will be taken to recover fees.
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towns, those charges had not been recovered even as at 31 December of the year under review.

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| (b) | There was a balance of Rs. 6,589,590 outstanding since the year 2010 on account of renting out machinery and equipment belongs to the Sabha. | Arrears of Machinery Rent should be recovered. | By this time, a sum of Rs. Five Hundred Thousand has been recovered. |
| (c) | A total sum of Rs.2,735,494 as Rs. 130,721 relevant to the 2016 and Rs. 2,604,773 relevant to the preceding year, payable as loan installments and other dues to Local Loans and Development Fund, other institutions and 11 individuals had not been settled even during the year under review. | Action should be taken to settle payable amounts. | Out of the balance of Local Loans and Development Fund, a sum of Rs. 612,215 has been paid during the year 2019. After collection of arrears of revenue other payments will be made. Action will be taken to pay arrears of installments immediately, after receiving money to the Machinery and Equipment Account. |

3.3 Human Resources Management

(a) Cadre Information

Audit Observation

There was a surplus of 07 employees relevant to 03 posts and 15 vacancies of employees relevant to 07 posts in the approved cadre as at 31 December of the year under review.

Recommendation

Action should be taken to get approval for the surplus cadre and to fill the vacant posts.

Comments of the Accounting Officer

A surplus has occurred due to annual transfers. Deputy Chief Secretary was informed in that regard. Commissioner of Local Government has been informed monthly with regard to vacancies.

(b) Staff Loans

Audit Observation

The dormant balance of loans granted to 27 employees served in the Sabha, outstanding for more than one year amounted to Rs. 249,876.

Recommendation

Arrears of Staff Loans should be recovered.

Comments of the Accounting Officer

Will be recovered from death gratuities and a submission will be made to the Audit and Management Committee with

regard to balances which cannot be recovered.

3.4 Operational Inefficiencies

(a) Lease Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 1,225,279 due on account of leasing out weekly fair, beef stalls, mutton stalls and poultry stalls belong to the Sabha during the period from the year 1988 to year 2012 had not been recovered.	Arrears of Lease Rent should be recovered.	Problems have been arisen now, due to non-recovery of those in appropriate time relevant to the period from 1988-2011.

(b) Rent of Removed Stalls

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 190,054 due from 14 old stalls belong to the Sabha and removed subsequently, had not been recovered.	Arrears of Stalls Rent should be recovered.	At present it is not possible to recover, as stalls rent was not recovered during the removal period. A judgment has been given to recover the rent from the stall holders when they are provided with new stalls.

3.5 Assets Management

(a) Idle Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
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Mini Tractor valued at Rs. 300,000 received to the Sabha from the Agrarian Services Department on 10 February 2004 remained idle without being used..	Action should be taken to use it or for disposal.	Tractor had gone out of order and action will be taken to repair and use.

(b) Vehicles Utilization

Audit Observation	Recommendation	Comments of the Accounting Officer
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Fuel consumption of 17 vehicles belong to the Sabha had not been tested in terms of paragraph 3.1 in Circular No. 30/2016 dated 29 December 2016 of the Ministry of Public Administration.	Fuel consumption should be tested as per circular instructions.	Action will be taken to test the fuel consumption during the month of July.

3.6 Procurements

3.6.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
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Procurement Plan had not been prepared by the Sabha for the year under review.	Procurement Plan should be prepared according to the approved annual budget.	A draft procurement plan has been prepared for the year 2019.

3.6.2 Works Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Although 02 motor grader machines belong to the Sabha had run 286 machine meter hours to set up 36 roads in the area of authority of the Sabha, while estimates had not been prepared for these works, details relating to the roads developed too were not furnished to audit. Similarly, work completion reports too had not been prepared for these works.	Estimates for materials, labor, machine hours should be prepared for each work, work s should be carried out under the supervision of the technical officer and completion reports should be prepared at the end.	With regard to public development works to be carried out in future, work completion reports will be obtained and files will be prepared containing estimates and having examined whether works have been completed according to specification under the supervision of the technical officer.

(b) Following matters were observed with regard to Buththala Public Latrine Repair Works.

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| (i) | While a sum of Rs. 26,800 had been overpaid for fixing 2 commodes, those were not up to the accepted quality. | Estimates should be prepared correctly; payments should be made after inspection. Loss occurred to the Sabha should be recovered back. | Although a Rate of Rs. 13,776 had been included according to BSR Rates, commodes had been fixed having purchased according to open market prices. In preparing estimate it had been included due to an oversight and it should be corrected as market price. In future, this type of changes in estimates will be separately submitted and approval will be obtained. |
| (ii) | According to the bill, under work item 02 although payments had been made for fixing 04 Approved Quality Ceramic Squatting Pans it was observed those were not approved type. It was also observed that all squatting pans had been broken. | Before making payments, it should be inspected that To ensure whether all works have been performed according to the standards mentioned in the estimate. Loss occurred to the Sabha should be recovered back. | Although approved squatting pans had been fixed, in using those by various individuals, those had not been properly used. Due to that, those had been broken. |
| (iii) | Washing Room components valued at Rs. 37,073 fixed during the presiding year had been misplaced. | Parties responsible should be identified and necessary course of action should be taken. | Instructions were given to enquire into this and report to audit. |
| (c) | A sum of Rs. 39,803 had been overpaid in applying water for compacting the road surface in the work relating to spreading gravel on either sides of the Ratwatta Avenue | Loss occurred to the Sabha should be recovered back. | In making the road by spreading gravel, it had to be compacted by putting 163.93 cubic meters of water. Water had to be used in excess of the approved quantity as there was a heavy drought during those days. While payments were made having kept notes in that connection, technical |

officers were instructed to make notes on the bills when making such payments in the future.

(e) When making payments for transport item relevant to road development works by spreading gravel for 8 roads development projects , payments had been made by applying rates for less than 200 cubic meters without applying the rates for exceeding 200 cubic meters. Du to ht a sum of Rs. 434,630 had been over paid.

Loss occurred to the Sabha should be recovered back..

While rates mentioned last for transport of gravel had been used for transport of gravel of these works, action will be taken avoid this types of lapses in the future.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

According to the budget for the year under review, when estimated revenue and expenditure are compared, with the actual revenue and expenditure for the year variations from 11 percent to 100 percent in 07 revenue items and variations from 16 percent to 100 percent in 09 expenditure items were observed.

Realistic budget should be prepared and goals shown therein should be achieved.

Although the budget is prepared annually, in carrying out activities there will be instances of impossibilities in implementing those accordingly under external conditions and variation will occur due to those conditions. Such instances have been approved through supplementary estimates.

4.2 Audit and Management Committee.

Audit Observation

Recommendation

Comments of the Accounting Officer

An Audit and Management Committee had not been established as per audit guidelines in circular No. DMA/2009 (01) dated 9 June 2009 of the Management Audit Department.

An Audit and Management Committee should be established.

Audit and Management Committees for the year 2018 had been conducted covering all local authorities in the district, at the office of the Commissioner of Local Government.