

Kandy Kadawathsathara and Gangawata Korale Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to the audit on 04 April 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 31 July 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kandy Kadawathsathara and Gangawata Korale 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

- (a) Withheld amount of Rs.730,615 with relating to 14 contracts implemented under external allocations had been accounted under creditors.
- (b) Though payments had been made to the contractor on 24 March 2015 with relating to 03 contracts implemented in the year 2014, twice had been accounted under creditors. Therefore creditors amount as at the end of the year under review had been overstated by Rs. 1,255,018.
- (c) Thirty eight contracts with amount aggregating Rs.10,049,000 which were estimated to implement under external allocations during the year 2014 and cancelled, had been accounted under trade debtors as well as creditors.
- (d) Though quotations were called to procure 02 Electricity Generator for Rs.3,000,000 during the year under review; without taking actions to order or to receive goods and debited into general stores account by accounting that amount under creditors, reasoning that the general stores balance and the liabilities of the year had been overstated by Rs. 3,000,000.

1.3.2 Non-reconciled Accounts

According to 08 control accounts, though the balance was aggregating Rs.21,775,743; aggregating of those balances were Rs.20,120,340 as per the supporting schedules, hence it was revealed an un-reconciliation of Rs.1,655,403.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 07 Accounts Receivable balances as at 31 December 2017 was Rs.124,786,190, and a balance over 05 years was aggregating Rs.15,342,421. Arrears account balances for over 01 to 05 years period was aggregating Rs.57,379,514. A balance of Rs. 120,993,080 was further being receivable as at 24 July 2018.

(b) Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2017 was Rs.48,106,550, and a balance over 05 years was aggregating Rs.884,414, and arrears account balances for over 01 to 05 years period was aggregating Rs.21,439,853. A balance of Rs.33,922,254 was further being payable as at 24 July 2018.

1.3.4 Lack of Documentary Evidence for Audit

Not Presenting Information to Audit

- (a) Transactions aggregating Rs.13,695,802 could not be satisfactorily verified in audit due to non-presenting relevant registers and files of 04 accounts items to audit.
- (b) Though water store equipment balance of Rs.6,487,162 were shown in the financial statements, water store register was not presented to the audit to verify that value and the quantity; and the value of 172 items of water pipe equipment had not been presented to audit.

1.3.5 Non-compliance

Instances of non-compliance with laws, rules and regulations were shown below.

Reference to laws, rules and regulations	Amount	Non-compliance
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	Rs.	
(a) Rule 218 of Pradeshiya Sabha (Finance and Administrative) of 1988	--	Annual board of survey of land and building had not been conducted.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka		
Financial Regulation 371 (2)	8,692	Though the issued advances should be settled immediately after the

completion of said activity, actions had not been taken to settle advances amount given during the years 2007, 2009.

2. Financial Review

2.1 Financial Results

According to the Amended Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.25,346,908 as compared with the corresponding revenue over recurrent expenditure for the preceding year amounted to Rs. 54,622,205.

2.2 Revenue Administration

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

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	Estimated Revenue	2017			2016			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	8,726,970	8,562,664	8,729,462	7,518,534	9,677,160	10,182,831	11,340,941	7,685,333
(ii) Rent	815,000	564,000	564,000	495	1,610,000	570,400	711,400	495
(iii) License Fees	3,906,000	1,123,099	1,123,099	--	3,705,000	3,113,911	3,113,911	--
(iv) Other Revenue	37,518,000	23,187,062	31,786,671	84,656,882	66,162,000	58,483,525	98,792,021	89,129,069
Total	50,965,970	33,436,825	42,203,232	92,175,911	81,154,160	72,350,667	113,958,273	96,814,897

2.2.2 Performance in Revenue Collection

The arrears as at 31 December 2016 from all sources of income was Rs.96,814,897 and those arrears was Rs.92,175,911 as at the end of the year under review.

2.2.3 Rates and Tax

(a) Rates

- (i) Actions had not been taken to recover rates of Rs.581,998 receivable from Government Institutions from many years.
- (ii) Actions had not been taken to recover arrears rates of Rs.1,524,572 from 350 rates units belonging to private owners during the period 1993- 2017 and actions had not been taken in terms of section 159 of Pradeshiya Sabha Act of 1987 in this regard.
- (iii) While there was a balance of rates in arrears amounting Rs.7,608,345 as at 01 January 2017, billing up to 31 December 2017 was Rs.8,079,199. The recoveries from the arrears and billing as at 31 December 2017 was Rs.3,357,618 and Rs. 4,888,173 respectively. This was 44 per cent and 61 per cent and a sum of Rs.7,441,753 was remained as arrears balance as at 31 December 2017.

(b) Acreages Tax

While there was a balance of acreages tax in arrears amounting Rs.17,037 as at 01 January 2017, and recoveries from those arrears as at 31 December 2017 was only a sum of Rs.160. This was 09 per cent. Accordingly recovery of arrears acreages tax was in a poor level.

2.2.4 License Fees

Environment protection licenses had not been issued for 03 Factories which in the environment protection license should be obtain as per the Extra Ordinary Gazette No. 1533/16 dated 25 January 2008 in compliance with National Environment Act No. 47 of 1980 amended by Acts Nos. 53 of 2000 and 56 of 1988 as well as regulations imposed under them; and thereby a sum of Rs. 12,000 lost to Sabha fund.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs.2,264,558 and Stamp Fees amounting to Rs.82,392,324 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

Matters reveled with regarding the activities such as streamlining and controlling matters relating to public health, common utility services and public roads; feather bedding,

convenience and welfare which should be admired by the Sabha under Section 03 of Pradeshiya Sabha Act were shown below.

(a) Sub Ordinance

Though the Sabha had been generated an income of Rs.866,600 and Rs.162,000 from renting out Backhoe Machines, reservation of Playgrounds and Community Centers in the previous year and the year under review respectively; Sub Ordinance had not been provided.

(b) Activities Against the Objectives

The entire allocation of Rs.300,000 provided during the year under review for repair and maintenance of drain under expenditure votes 304 - 3 and the balance provision of Rs.483,000 from the provision of Rs. 500,000 provided for repair and maintenance of roads and pavement under the expenditure vote 304 - 4 had been transferred out to some other expenditure votes without taking actions to implement intended activities under program No. 03 to implement the objectives mentioned in section 22 of Pradeshiya Sabha Act No. 15 of 1987.

(c) Failure in Achieving Output Targets

Actions had not been taken to implement intended activities during the year under review by utilizing the provisions of Rs. 75,000 provided for health and sanitary services of expenditure votes 205 - 7 under Public Health program No. 02 to implement the objectives mentioned in section 78 (1) of Pradeshiya Sabha Act No. 15 of 1987.

(d) Abandoned Projects

Though a bio-gas project had been constructed in Maddepathana cemetery premises by spending a sum of Rs.480,000 in the year 2015, relevant project had been abandoned without producing bio-gas even as at 26 June 2018.

(e) Delay in Project Implementation

- (i) The project reports for 38 contracts expected to implement from Sabha fund had been prepared and approved on dates of 17 June, 16 August, 09 November and 19 December 2017 by producing them for approvals on dates of 21 March, 29 June, 28 September and 16 November 2017. Though the initiation of contracts should be implemented at the beginning of the year under review by identifying and approving projects in the previous year, performance were in a poor level due to following a project approval process during the entire year.
- (ii) Approved 11 development projects valued at Rs.3,950,000 had not been implemented even as at 31 December 2017.

(f) Solid waste Management

Three tons of garbage are collected daily and crumbled garbage had been dumped into the garbage yard of Kundasale Pradeshiya Sabha by paying Rs.500 per ton due to non-availability of land belonging to Pradeshiya Sabha to dump garbage. Additional burden of expenditure of Rs.540,000 had been incurred per annum in this regard and the attention of the Pradeshiya sabha had not been drawn for a proper process of waste management such as recycle or reusable.

(g) Sustainable Development Goals

(i) Actions should be taken by every Government Institution to comply with sustainable development “the agenda” for the year 2030 of the United Nations and it was not aware the manner in which should be implemented with regarding the activities coming under the scope of Kandy Kadawathsathara and Gangawata Korale Pradeshiya Sabha.

(ii) Actions had not been taken by the Sabha to identify sustainable development objectives and targets and milestones to achieve those targets as well as to identify indexes to measure the progress.

(h) Corporate Plan

(i) Though a corporate plan should be prepared for entire activities representing every divisions of the Institute, development projects had only been included in the corporate plan of 2017 to 2020 prepared by the Sabha.

(ii) According to the corporate plan prepared for development division, though the plans had been prepared to implement 31 contracts during the year under review, only 07 contracts had been implemented out of them.

3.2 Management Inefficiencies

(a) Actions had not been taken to recover the deposits amount of Rs.265,000 deposited in 03 instances at Kandy Municipal Council for water schemes maintained by the Sabha and a sum of Rs.7,500 deposited in 02 instances at Ceylon Electricity Board to provide electricity for those schemes.

(b) Though 4844 units in develop areas had been identified as rates recoverable in the year 2014, and a proper procedure had not been prepared to recover rates from those properties.

(c) The value of 11 items of lands and buildings valued at Rs.74,021,557 had not been shown in fixed assets register as land and building separately.

(d) Advances had continuously been given for various activities though there was no possibility of giving advances to the Shroff officer who is the in charge of Sabha’s

money and remaining outstanding from advances taken previously. Further, the advances had been settled considerably delayed without following the provisions in the paragraph 371(2) (a) of Financial Regulations.

3.3 Human Resources Management

- (a) Fourteen posts were vacant between approved and actual cadre of the Sabha as at 31 December 2017.
- (b) Casual Watcher and excess Preschool Assistant who were not included in approved cadre had been deployed.
- (c) Even though it was informed to the Local Government Institutions to avoid engaging workers in labor category into office activities by a Letter No. CPC/CLG/2/5/Audit of Commissioner of Local Government dated on 06 May 2017, 09 persons in the posts of Office Labor, Field Labor and Health Labor had been assigned into responsible duties with relating to several office based subjects.

3.4 Operational Inefficiencies

Though new rates assessment should be conducted at least once in 05 years, rates had been collected even for the year 2017 based on the rates assessment of the year 2008 even it was lapsed 08 years.

3.5 Assets Management

3.5.1 Non Confirming the Safety Precautions of Assets

Vehicles of the Sabha had been exposed to weather due to non-availability of vehicle yard to park the vehicles belonging to sabha.

3.5.2 Non Acquired Assets

Actions had not been taken to acquire the legal ownership of 77 units of Lands, Buildings, Playgrounds, Cemeteries and Community Centers valued at Rs.24,519,426 which were utilized by the Sabha.

3.5.3 Idle / Under-utilized Assets

- (a) Three vehicles valued at Rs.2,290,000 belonging to Sabha had been kept idle without repairing for a period from 01 to 02 years.
- (b) One hundred seventy two items of water pipe accessories, which the value were not calculated, had been kept idle.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

According to the budget prepared for the year under review, it was observed that the budget had not been made use of as an effective tool of management as there were variations from 23 per cent to 102 per cent in 04 items of revenue and variations from 16 per cent to 67 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 **Internal Audit**

The copies of internal audit reports had not been submitted to Auditor General in terms of Financial Regulation 134 (3).

5. **Systems and Controls**

Deficiencies observed during 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	Deficiencies
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(a) Stocks	<ul style="list-style-type: none"> i. Inventory items not including in registers ii. Old water equipment in idle.
(b) Debtors / Creditors	<ul style="list-style-type: none"> i. Providing credit facilities for cancelled contracts. ii. Duplicating the creditors. iii. Non-taking actions to settle previous balances.
(c) Assets and Properties	<ul style="list-style-type: none"> i. Improper register. ii. Failure in security assurance iii. Failure in accounting assets by identifying separately.
(d) Staff Management	<ul style="list-style-type: none"> i. Failure in filling up vacancies. ii. Emplacing of workers improper post.