

Pasbage 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 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 14 June 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 Pasbage 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 Non-reconciled Accounts

Though the balance as per the accounts of Local Loan and Development Fund was Rs.12,696,019 this was Rs.12,626,425 according to the balance confirmation letter, hence a difference of Rs.69,594 was observed.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 18 Accounts Receivable balances as at 31 December 2017 was Rs.20,280,009, and a balance over 5 years aggregating Rs.1,673,480. A balance of Rs. 17,402,623 was further being receivable as at 31 March 2018.

(b) Accounts Payable

While the value of 06 Accounts Payable balances as at 31 December 2017 was Rs.6,003,296, and account balances for over 01 to 05 years period aggregating Rs. 2,724,288. A balance of Rs.5,103,266 was further being Payable as at 31 March 2018

1.3.3 Lack of Documentary Evidence for Audit

Two accounts items aggregating Rs. 43,000 could not be satisfactorily verified in audit due to non-presenting relevant information.

1.3.4 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) Pradeshiya Sabha (Finance and Administrative) Rules of 1988 ----- 178(7)(1) and (2)	290,953	Tyres, Machines and equipment spare parts had been procured in 05 instances without following proper tender procedure.
(b) Financial Regulations of Democratic Socialist Republic of Sri Lanka -----		
(i) Financial Regulation 571(3)	49,075	Deposits made from cash in hand in 04 instances during the period from 2014 to 2016 had been kept in general deposit account even as at the end of the year under review.
(ii) Financial Regulation 1653	52,250	Signature had not been placed by the officer who used a cab for 550 km in 11 days.
(c) Administration Circular ----- Circular No.30/2016 dated on 29 December 2016	--	Fuel consumption test had not been conducted for the jeep belonging to Sabha after 21 November 2013.

(d) Other Circulars

 Paragraph 05 (I) of
 Circular No. 2016/3 dated
 on 17 March 2016 of the
 Commissioner of Local
 Government

Though it should be engaged in new agreements by revising the rent once in 05 years, actions had not been taken to revise agreements of 15 shops in Silvasland from the year 2008.

2. Financial Review**2.1 Financial Results**

 According to the Amended Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.5,341,786 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,951,380.

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	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	4,681,000	4,938,166	4,786,131	3,414,812	4,312,000	4,637,602	4,196,659	3,262,775
(ii) Rent	4,245,000	2,276,529	2,156,125	276,042	5,063,000	1,722,536	1,638,663	138,804
(iii) License Fees	855,300	854,857	749,357	435,100	855,800	723,650	663,650	329,600
(iv) Other Revenue	18,439,000	11,423,196	10,469,435	10,992,080	12,808,400	16,426,656	21,907,042	5,400,000
Total	28,220,300	19,492,748	18,161,048	15,118,034	23,039,200	23,510,444	28,406,014	9,131,179

2.2.2 Performance in Revenue Collection

 The increase in arrears revenue was 65 per cent due to arrears as at 31 December 2016 from all sources of income was Rs. 9,131,179 and those arrears was Rs. 15,118,034 as at the end of the year under review.

2.2.3 Rates and Tax

While there was a balance of rates in arrears amounting Rs. 496,473 as at 01 January 2017, billing up to December 2017 was Rs. 595,183. Out of them the recovery up to December 2017 was Rs. 131,907 and Rs. 364,069 respectively. This was 26 per cent and 61 per cent. Recoveries of income were in a poor level due to the arrears as at the end of December 2017 was Rs. 595,681.

2.2.4 Shop Rent

- (a) A lesser amount had been collected from June 2011 to November 2017 without revising the agreements for the rent charged from 14 shops constructed in Silvasland private land by Rs.5,100 per annum from 01 January 2008 to May 2011. A loss of Rs. 296,068 had been occurred only for that time period due to the rent deduction in this manner.
- (b) Though the annual rent charged from the shop no.15 in Silvasland public land by Rs.5,100 from January 2008 had been increased up to Rs.5,600 from the year 2012, the agreement had not been revised.
- (c) Proper actions had not been taken to recover the arrear rent balance of Rs.60,500 with relating to the period from the year 2014 to 17 December 2017 from 02 shops in Kardiyalena.

2.2.5 Court Fines and Stamp Fees

Court fine of Rs.1,999,627 and stamp duties of Rs.5,000,000 were receivable from the Chief Secretary of the Provincial Council and other related authorities as at 31 December 2018. The entire stamp duty and court fine of Rs.574,850 had further been receivable as at 31 March 2018.

3. Operating Review

3.1 Performance

(a) Development of Galaboda waterfall as Tourist Attraction Point

Though Galaboda waterfall had been identified as tourist attraction place situated in the area of Pasbage Korale Pradeshiya Sabha and the maintenance had been entrusted to Pasbage Korale Pradeshiya Sabha by constructing access road to the waterfall by allocating a sum of Rs.3,449,470 from the Department of Trade, Commerce and Tourism; and develop as tourist attraction place by constructing an observation point. However there were deficiencies such as failure to pass by-laws in charging fees from local and foreign tourists who visits this place, failure to develop 4.5 km roadway with the facility for visitors to drive vehicles towards waterfall, insufficient welfare facilities for tourists.

(b) Solid Waste Management

The possibility of household compost production had been weakened due to non-taking actions to implement the program during the year under review for granting garbage dumping baskets. The budgetary provision of Rs.50,000 allocated in this regard had been saved.

(c) Non implemented Activities

Three development programs with relating to 03 expenditure items had been presented for approval in the month of November 2107 and delayed the approval due to taking actions to implement development programs in the end of the year had been the reason for non-implementing those programs.

(d) Failure in Achieving Output Targets

Out of provisions allocated to 15 expenditure items for implementation of welfare programs, a sum of Rs. 678,241 or 87 per cent had not been utilized for the projected activities.

(e) Activities Against the Objectives

A workshop had been conducted to improve aesthetic development of preschools teachers by spending a sum of Rs.34,984 without implementing projected activities from Rs.50,000 allocated to provide physical resources for preschools in the Sabha.

3.2 Management Inefficiencies

- (a) Though a land with 01 acre 1.08 perches had been vested to Sabha through a certificate on 18 October 1977 by the Land Officer of Kandy District under land acquisition (amendment) Act No.28 of 1964 with the objective of using only for a playground, contrary to that object, a new office building had been constructed in that land in the year 2010. However, actions had not been taken to revise the vesting order in this regard.
- (b) Though 434 applications were approved out of 515 building applications received for plan approvals during the last 04 years in terms of paragraph 21 of Urban Development Authority Act No.41 of 1978, only 26 conformity certificates had been issued even as at April 2018. Though a sum of Rs.2,500 is charged to issue certificate of conformity, a revenue of Rs.1,020,000 had been lost from 408 unissued conformity certificates during last 04 years.

3.3 Human Resources Management

- (a) Nineteen posts were vacant between approved and actual cadre.
- (b) Actions had not been taken to recover a loan balance of Rs.83,220 receivable from an Revenue Inspector transferred out in the year 2015 and interdicted at present, and a loan balance of Rs.32,227 receivable from a Former Secretary who was interdicted in the year 2000.

3.4 Operational Inefficiencies

Though rates assessment should be conducted at least for 05 years, rates were being collected up to the year 2017 on old assessment without conducting a new assessment after the year 2009.

3.5 Assets Management

3.5.1 Non Confirming the Safety Precautions of Assets

A concrete mixture valued at Rs.200,000 which was received as a grant from Ministry of Disaster Management on 06 February 2012 had been exposed to weather from the year 2012 without taking actions either to use for economic activity or to return.

3.5.2 Idle / Under-utilized Assets

- (a) Three hundred sixty two water meters valued at Rs.1,773,800 which were procured for Ellawatha and Meepitiya water schemes in the year 2014, had been kept idle in stores without fixing in relevant water schemes even as at 04 April 2018.
- (b) Four computer accessories were in idle without taking actions either to use by repair or to do necessities.
- (c) Library building and information technology center had not been used for effective activity by performing a repair.

3.6 Procurement

Procurement Plan

Though the Sabha had spent capital expenditure of Rs. 9,615,526; procurement plan had not been prepared for the year under review.

4. Accountability and Good Governance

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 45 per cent to 77 per cent in 04 items of revenue and variations from 25 per cent to 83 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Secretary 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) Revenue Administration	i. Failure in collection of arrears revenue. ii. Improper lease agreements.
(b) Assets Management	i. Remaining of idle and under-utilized assets. ii. Deficiencies in ownership acquisition.
(c) Debtors and Creditors	Failure in settling long term debtor balances.
(d) Budgetary Control	i. Failure in recovering estimated revenue. ii. Failure in spending estimated provisions.