

Kandaketiya Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 23 March 2016 while Financial Statements relating to the preceding year had been submitted on 16 February 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 27 September 2016.

1.2 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 Kandaketiya Pradeshiya Sabha as at 31 December 2015 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

Following deficiencies are observed.

- (a) Value of the tractor received as a donation to the Sabha during the preceding year had been understated in a sum of Rs.1,155,318.
- (b) Un-settled Advances amounting to Rs. 25,164 during past years had been adjusted to the Accumulated Fund. Due to that value of Assets and Accumulated Fund had been understated to that extent.
- (c) The balance of Stamp Fees Revenue in arrears as at 31 December of the year under review had been overstated in a sum of Rs. 139,410.
- (d) A sum of Rs. 120,507 had been overprovided for Creditors in respect of construction works.
- (e) Provision for Audit Fees for the year under had not been made.
- (f) Provision for Creditors had not been made for the sum of Rs. 20,000 payable as rent for the Saturday Weekly Fair Ground.

1.3.2 Accounts Receivable and Payable

According to the financial statements presented value of Accounts Receivable as at 31 December of the year under review was Rs.10,678,674, while the value of Accounts Payable had been Rs. 13,023,377.

1.3.3 Lack of Evidence for Audit

Stocks Registers had not been maintained during the year under review.

1.3.4 Non-compliance with Laws, Rules and Regulations

Instances of non-compliance with laws, rules, regulations etc. observed in audit are shown below.

Reference to laws, rules, regulations etc., -----	Non-compliance -----
(a) Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988 -----	
(i) Rule 180	Security Deposits had not been placed by 09 officers who are required to furnish security amounting to Rs. 29,000.
(ii) Rule 218	A Survey of Lands and Buildings had not been carried out relevant to the year under review.
(b) Financial Regulations of the Republic of Sri Lanka -----	
(i) F.R. 371	Advances amounting to Rs. 67,500 granted by the Sabha in 04 instances had not been recovered even as at 31 December 2015.
(ii) F.R. 571	Action had not been taken to clear 41 Lapsed Deposits valued at Rs. 69,566 as at 31 December 2015.
(c) Clauses 1.6 and 4 in Chapter xxiv of the Establishments Code of the Republic Sri Lanka	Action had not been taken to recover Staff Loans amounting to Rs. 5,247 due from 03 retired, deceased employees.
(d) Treasury Circular No. IAI/2002/2 dated 28 November 2002.	A Register of Computer Accessories had not been maintained with regard to 04 computers and accessories relevant to those.

- (e) Section 10 of the Employees Provident Fund Act No. 15 Of 1958 as amended by (Amendments) Act No 1 of 1985. A sum of Rs. 53,154 had been paid as surcharges for non-payment of contributions to the Employees Provident Fund on the specified dates in 05 instances during the year 2015 relevant to the period from December 2001 to October 2013.

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 2015 amounted to Rs. 2,633,121 as compared with the corresponding excess of revenue over recurrent expenditure according to financial statement of the preceding year as at 31 December amounted to Rs. 2,103,181.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

- (a) Progress in recovery of Revenue in Arrears as at 01 January 2015 was at a weak level such as 5 to 13 percent.
- (b) Action had not been taken to recover revenue amounting to Rs. 130,614 as at 31 December 2015 from 05 lessees, outstanding continuously since the year 2010.
- (c) Annual Trade Licenses only had been obtained, without obtaining Environmental Permits in terms of provisions in the National Environmental Act No. 49 of 1980 as amended by Acts No. 56 of 1988 and No. 52 of 2000 for 52 Rice Mills and 03 Quarries.

2.2.2 Courts Fines and Stamp Fees Revenue

According to the financial statements presented, Courts Fines amounting to Rs. 1,227,228 and Stamp Fees amounting to Rs. 772,050 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Contrary to Stamp Duties (Special Provisions) Act No. 2 of 2006, Stamp Duties amounting to Rs. 11,250 to be recovered during the year 2015 on the basis of salaries of 42 officers had not been remitted to the Commissioner General of Inland Revenue.
- (b) Monthly Lease Rent had been billed on the basis of the assessment made during the year 1996 without action being taken in terms of Circular No. 1980/6 dated 31 December 1980 of the Commissioner of Local Government.
- (c) Contribution amounting to Rs 422,446 deducted from the employees' salaries since the year 2008 had been withheld in the Deposits Account, without being reemitted to the Employees Provident Fund

4. Good Governance and Accountability

4.1 Budgetary Control

When the revenue and expenditure in the budget prepared by the Council for the year under review are compared with the actual revenue and expenditure material variances were observed indicating that Budget had not been made use of as an effective tool of management.

4.2 Annual Procurement Plan

Although an Annual Procurement Plan should be prepared and used by all institutions according to Clause 4.2 in Chapter 4 of the Government Procurement Guidelines 2006, the Sabha had not taken such action during the current year.

4.3 Internal Audit

An adequate internal audit had not been carried out for the year 2015.

4.4 Implementation of Audit and Management Committees

Audit and Management Committees had not been conducted during the year under review.

4. Systems and Controls

Special attention of the Sabha is needed in the following areas of controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Stocks Control.