

**Pasbage Korale Pradeshiya Sabha
Kandy 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 31 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 20 June 2016.

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 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 Accounts Receivable

Out of value of Rs. 12,944,100 receivable in the Capital Grants Account as at 31 December 2015, value of balances which had exceeded a period of more than 01 year had been Rs. 11,615,714.

1.3.2 Accounts Payable

Value of Industrial creditor balance which had exceeded a period of more than 01 year as at 31 December 2015 had been Rs. 12,196,364.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 12,431,506 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,554,431. Accordingly, an improvement in a sum of Rs. 7,877,075 was observed in the financial results. Increase in 05 Revenue items from 13 percent to 250 percent and decrease in 02 expenditure items from 21 percent to 63 percent had been the main reasons for that improvement.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information as furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Item of Revenue	Arrears as at 01.01.2015	Recoveries out of arrears as at 31.12.2015	Billings during the year 2015	Recoveries out of billings for the year	Total Arrears as at 31.12.2015
	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	266,254	1,504	575,507	383,195	457,062
Lease Rent	15,831	12,186	179,053	121,526	61,172
Others	2,214,217	737,479	3,791,812	2,421,232	2,847,318
Total					3,365,552

The total revenue balance of Rs. 3,365,552 was in arrears as at the end of the year under review.

2.2.2 Rates

The recoveries from the opening balance of the year were in poor level of 0.5 percent and the recoveries out of the billing for the year were 66 percent. Actions had not been taken to recover the outstanding Rates in terms of rule 33 of the Pradeshiya Saba (Financial and Administration) Rules.

2.2.3 Lease Rent

Only 67 percent had been recovered out of the billing during the year and actions had not been taken to recover the outstanding Rent.

2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs. 500,000 and Stamp Fees amounting to Rs. 10,380,386 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

- (a) A loan balance of Rs. 32,227 from transferred out officers were remained outstanding over the year 2015.
- (b) Ownership of Land and Buildings amounting to Rs. 16,028,188 had not been confirmed through title deeds, transfer orders and plans.

3.2 Operational Inefficiencies

- (a) The Capital expenditure of the Council for the previous year was Rs. 89,962,279 and it was Rs. 7,488,976 in the year under review. Therefore the expenditure made on development activities was decreased in 1090 percent as compared with the previous year.
- (b) Action had not been taken to issue Certificates of Conformity after inspection to ensure that the relevant buildings have been constructed as specified, with regard to 458 building applications approved during the period from the year 2006 to the year 2008

3.3 Delaying Projects

Although an estimate of Rs.1,470,000 for construction of the Community Hall in Balanthota North, and about a part of 50% of the work had been constructed, construction works had been stopped due objections of the Road Development Authority

4. Good Governance and Accountability

4.1 Budgetary Control

Following matters were observed.

- (a) According to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 11 per cent to 295 per cent in 05 items of revenue and variations from 50 per cent to 88 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.
- (b) It had been failed to earn any amount out of the budgetary revenues of Rs. 2,492,006 with relate to 06 Sub Vote in 04 Revenue Votes, and the recover rete of the budgetary revenues of Rs. 14,980,060 with relate to 04 Sub Vote in 03 Revenue Votes were remained in less than 50 percent level.

4.2 Annual Procurements Plan

An Annual Procurement Plan in terms of Sub Chapter 4:2 of the Government Procurement Guidelines had not been prepared.

4.3 Internal Audit

Internal audit reports had not been presented to Auditor General in terms of No. 134 (3) of Financial Regulation of Republic of Sri Lanka.

4.4 Assets Management

Idle and Under-utilized Assets

The Concrete Mixing Machine provided by the Disaster Management Ministry during the year 2012 to be used in emergency situations, had been kept idle and exposed to natural phenomena, due to lack of required facility to operate with three phase electricity supply.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Budgetary Controls
- (b) Revenue Administration
- (c) Assets Management
- (d) Operational Management
- (e) Project Management