

Pasbage Korale Pradeshiya Sabha
Kandy District

01 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements of the year under review had been presented for audit 31 March 2017 and the financial statements for the preceding year had been presented for audit on 31 March 2016.

1.2 Qualified Opinion

I am of opinion that, except the effect on the financial statements of the matters referred in paragraph 1.3 in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Pasbage Korale Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Non Reconciled Control Accounts

Although the balance of local debt development fund according to the account, amounted to the Rs.14,431,934, hence it was an amount of Rs.14,362,340 according to the balance confirmation letter, a mismatch of Rs.69,594 had been observed.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

while the total of 14 balances of accounts receivable as at 31 December 2016 amounted to Rs.24,220,827, the balances that had elapsed more than 5 years amounting to Rs.1,614,510 had been included therein. A balance of Rs.23,187,064 had been remained receivable as at 30 May 2017 moreover.

(b) Accounts Payable

The value of 11 payable accounts balance as at 31 December 2016 amounted to Rs.15,956,704, the balances that had elapsed more than 5 years amounting to Rs.3,329,259 had been included therein. A balance of Rs.7,218,574 had been remained payable as at 30 May 2017 moreover.

1.3.3 Lack of Documentary Evidence for the Audit

Transactions totalling Rs.1, 250,333 relevant to 02 items of accounts could not be satisfactorily vouched in audit, due to non submission of required information to audit.

1.3.4 Non-Compliance with Laws, Rules and Regulations

Following instances of non-compliance with Laws, Rules, and Regulations were observed during the audit.

Reference to laws, rules and regulations	Non compliance
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(a) Section 178(10)(2) of pradeshiya Sabha rules(finance and administration)of 1988	Although it should inform about the accept of the tender by the register post to the selected tendered, it had informed orally.
(b) FR 571(3) of socialist democratic republic of sri Lanka	Retained amount of Rs. 25,907 that had retained for contracts in 3 times in the year 2014 had been retained on the deposit account.
(c) Section 7 of the circular no 1980/46 of the commissioner of the provincial administration dated om 31 December 1980	While the lease-out of the stalls fully prohibited, and although the license should be cancelled of the rent holder when the time of that had subleased, the 07 stalls of the Sabha had been subleased.

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 2016 amounted to Rs.12,951,380as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.12,168,211. When compared with the preceding year, an increase of Rs.783,169was shown in the financial results in the year under review.

2.2 Revenue Administration

2.2.1 Rates

The following matters are observed.

- (a) While the balance of arrears rates amounted to Rs. 375,271 as at 01 January 2016, the billed amount was Rs. 576,600until 31 December 2016.Only the sum of Rs. 92,740and Rs. 362,658had been recovered thereof respectively. This was a percentage of 25 percent and 63 percent. The balance of rates in arrears was amounted to Rs. 496,473as at the last day of the year under review. Accordingly, the collecting of revenue in arrears was remained a level of weak.
- (b) Although the rates should be recovered after making a new assessment once in 5 years, rates had billed for the year 2016 on the basis of old assessment without making new assessment after the year 2009.

2.2.2 Other Income

Notice Board Charges

Actions had not been taken to charge the notice board charges according the by -laws about advertisements and visual environment for the year 2016 published by the gazette of Democratic Socialist Republic of Sri Lanka dated on 11 December 2015;also it had not been carried out a census of the notice boards within the area of authority of the Sabha.

2.2.3 Court Fines and Stamp Fees

An amount of court fines of Rs. 400,000 and stamp fee of Rs. 5,000,000 had remained receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2106.

3 Operational Review

3.1 Performance

(a) Carry out The Development Proposals under the Sabha Fund

The followings matters are observed.

- (i) Although the 11 construction works worth of Rs. 1,677,823 that had planned to carry out in the year under review had approved by the Chief Minister in 03 times, the work of 03 construction works worth of Rs. 709,829 thereof had not been completed until 31 December 2016.
- (ii) Although the Sabha should be employed more than 30 percent on the development activities in accordance to accomplished the objectives of the act from auto proceed revenue, despite an amount of Rs. 45,983,226 had earned as recurrent revenue, it had been deployed only a sum of Rs. 2,213,343 thereof as less percentage as 5 percent on the development activities.

(b) Carry out the Program of Strengthening the Pradeshiya Sabha

The followings matters are observed.

- (i) While the 14 construction works that had hope to carry out under this program had sent for the approval on 02 June 2016, the approval had received for 12 projects of them by the Ministry of Local Government on the dates of 29 august 2016 and 14 September. However, the works of 11 approved construction works worth of Rs.1, 550,000 had not been started in the year under review.
- (ii) Although the Sabha had request for the approval again for 14 construction works worth of Rs, 1,951,797 that hope to carry out in the

month of October on 28 September 2016, the approval had not been received for these 14 construction works in the year under review.

(c) NonExecution the Objectives

it had not been accomplished the objectives properly hence an amount of Rs.27,982,162 had not been utilizing out of the allowance amount of Rs.31,600,000 that had allocated for the vote of construction the land buildings and roads in the year.

3.2 Management Inefficiencies

The following matters are observed.

- (a) The 11 vacancies remained within the approval work force of the Sabha from the year 2012.
- (b) The furniture and an amount of the library books worth of Rs. 5000 that had harmed by the flood on the month of May 2016 in the public library building had been allowed to be destroying without protecting.
- (c) Actions had not been taken to take over the ownership of 20 items of buildings and lands worth of Rs. 22,269,045.
- (d) It had not been taken over the ownership of 22 cemeteries worth of Rs.1,097,000 that included to the Sabha.
- (e) The employee loan balance of Rs. 393,962 that should be owned from 05 officers who had transferred in the year under review and previous years, had not been recovered until 31 December of the year under review. It had been remained receivable an amount of Rs. 384,392 from those balance also until 30 May 2017.

3.3 Operational Inefficiencies

The following matters are observed.

- (a) According to the section 21 of the Urban Development Authority no 41 in of 1978, although it had received the approval for 703 applications out of 869 building applications that had received for approvals the plans during the past 07 years, the certificates of compliances had been issued for 66 applications only.
- (b) Although it had invited for the bids for stamped prices for purchase of water meters, it had purchased water meters worth of Rs.1,890,000 by selecting lower bidder, accepting 03 applications that hadn't stamped and presenting to the committee of assessments.

3.4 Idle/ Underutilized Assets

The 460 water meters worth of Rs.2,254,000 out of 1021 water meters that had purchased deploying a sum of Rs. 5,002,900 by the Sabha fund on 31 December 2014 had been detained in the store in vain already at 31 December 2016. Although it had provided 1535 water supplements without water meters, as at 31 December 2016, water meters that had purchased were stored in vain.

3.5 Contract Administration

Following matters are observed.

- (a) An amount of Rs.167,747 had paid for the construction of the Silva's land road and channel systems in the year under review. Following matters are observed in the physical test that had occurred in this regard.
 - (i) While it had used a weak concrete mixture that without appropriate standard when testing by breaking the road that had estimated for constructing by using concrete mixture by the mixture of 1:2:4 (19mm) it had cracked crosswise from the middle of road. The 02 S-Ion pipes about 4 inches had adapted crosswise the road from 02 places hence the channel had constructed afar the road.
 - (ii) Hence it had adapted a square net by using spiral steel cables of 12 m.m by four to four inches (4"x4") on the surface of the channel that had constructed in the scale of 1'-6"×1'6"×16' in aspect of expand to the middle of concrete road, it had a position of harmful to the passengers who walking the road.
- (b) When concrete the upper road from Baranda to Bohil, although it had paid an amount of Rs.32, 319 for the estimate that had estimated for adapt the polythene about 461.7 square meters on the surface of the road before apply the concrete mixture, the polythene had not been used in construction.
- (c) It was observed in examining by breakages the road constructed by making an estimate of Rs.142,200 by utilising a concrete mixture of 1:2:4 (19mm) in constructing the Dandu Bandiruppa middle road, that the concrete mixture remained not in compliance with the appropriate standard and remained at a weak level that could be easily broken and the concrete road that should be constructed with a thickness of 4" had been constructed with a thickness of 3".
- (d) An estimate of Rs. 471,859 had been allocated to concrete the road of Hathaton part West Holl estate Katambula, however it had observed that it had cracked crosswise the road far of 12.6 meters from the beginning of road, and it should be used concrete about 4 inches it had used concrete mixture about 3 inches only. Although it had paid an amount of Rs.5,983 for spread the polythene about 269.5 square meters it had not been used polythene.

4 Accountability and Good Governance

4.1 Budgetary Controls

The following matters are observed.

- (a) According to the budget that had made for the year under review, when comparing the estimated and actual revenue and expenditures, it was observed variations in a range from 43 percent to over 100 percent of 03 items of revenue and 24 percent to 79 percent of 08 items of expenditures. Accordingly the budget had not been made use of as an effective tool of management.
- (b) without taking estimates from the technical offices in the manner of regular for the projects that plan to carry out in next year by making priorities after taking the proposals for the developments proposals in previous years that hope to carry out in the each year, the development estimates that applied gross amount of Rs.2, 700,000 had been approved for the Sabha fund.

4.2 Annual Procurement Plan

Although an amount of Rs.7,377,210 spent on capital expenditure by the Sabha it had not made a procurement plan for the year under review.

4.3 Corporate Plan

It had not made a corporate plan as covering the year under review.

4.5 Internal Audit

Adequate internal audit had not been taken place at the Sabha in the year under review.

5 Systems and Controls

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

- (a) Contract Administration
- (b) Revenue Administration
- (c) Assets Management
- (d) Creditors and Debtors