

**Kandy Kadawathsathara and Gangawata Korale Pradeshiya Sabha**  
**Kandy District**

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1 Financial Statements

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1.1 Presentation of Financial Statements

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Financial statements for the year under review had been submitted to the audit on 31 March 2017 while the financial statements for the preceding year had been submitted on 31 March 2016.

1.2 Qualified Opinion

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

1.3 Comments on Financial Statements

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1.3.1 Accounting Deficiencies

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Following accounting deficiencies are observed

- (a) Although allowance amount of Rs.4,790,584 that related to the 186 constructions works which carried out anticipating the external allowances from 2009 to 2015 had been received on 31 December 2016, it had been taken to the financial statements under the constructions works debtor moreover.
- (b) An estimated value of Rs.9,747,000 that related to the 37 constructions works which had annulled in the year 2014, had been taken to financial statements under the constructions works creditors.

1.3.2 Non Reconciled Control Accounts

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It had been revealed a mismatch of Rs,1,925,977 when comparing subsidiary documents of 08 items of account balances, with the balances according to the financial statements.

1.3.3 Accounts Receivable and Payable

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(a) Accounts Receivable

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The total of 07 balances of accounts receivable as at the date of end of the year under review amounted to Rs.130,688,108.while a total balance that had elapsed a period

of 05 years amounting to Rs.45,434,270, and a total of balances that related the period of 1 to 5 years amounting to Rs.55,064,206 had been included therein.

(b) Accounts Payable

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The total of 02 balances of account payable as at the date of end of the year under review amounted to Rs.34,679,806 while the total balances that elapsed a period of 05 years amounting to Rs.884,413, and a total balances that related to 1 to 5 years amounting to Rs.19,298,351 had been included therein.

1.3.4 Lack of Documentary Evidence for the Audit

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Transactions totalling Rs.12,522,809 relevant to 03 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information for audit.

1.3.5 Non compliance with Laws, Rules and Regulations

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Following instances of non compliance with laws, rules, regulations were observed in the audit.

Reference to Laws, Rules and Regulations	Non Compliance
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(a) Section 23(a) of the National Environment Act No; 47 of 1980 published on 25 January 2008 in the extraordinary gazette notification no. 1533/16 of the Democratic Socialist Republic of Sri Lanka	It had not been issued licenses for 122 places such as mills, block stone industries and bungalows of the area of authority of the Sabha.
(b) Section 3.3.1 of schedule 02 according to revised section 26 of the National Environmental act no. 47 of 1980 as published by the gazette 1534/18 of Democratic Socialist Republic of Sri Lanka no dated 1 February 2008	According to the survey pertaining to environmental permits in 2016, any actions had not been taken to charge environmental license fee of Rs.400,000 from 100 constructions works identified by the council as just obtaining environmental permits.

(c) The Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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(i) FR 104(3),104(4),105(4)

Any actions had not been taken to follow formal procedures by after identifying the responsible parties for the loss of the accident related to broken down the left side glass of a backhoe loader owned to the Sabha.

(ii) FR 371(2)

An advance amount of Rs.10,693 that had given at 03 times in the years 2007 and 2009 had not been settled even it had elapsed a time of 10 and 08 years.

(iii) FR 571(3)

Any actions had not been taken to settle down a handhold money amount of Rs.1,327,651 related to 79 times from the year 2013 to 31 December 2015.

02 Financial Review

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2.1 Financial Results

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According to the revised financial statement presented, excess of revenue over recurrent expenditure of Sabha for the year ended 31 December 2016 amounted to Rs.54,622,205 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.112,105,083. When compared with the preceding year, declines of Rs.57,482,878 were shown in the financial results for the year under review.

2.2 Revenue Administration

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2.2.1 Performance in Revenue Collection

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A revenue balance of Rs. 96,754,946 had been remained as arrears from the revenue items such as lease rent, license fee and other income as at 31 December of the year under review.

### 2.2.2 Rates

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The following matters are observed.

- (a) While the balance of rates in arrears amounted to Rs.8,826,748 as at 01 January 2016, and billed amount was Rs.9,570,197 within the year 2016. Only the sum of Rs.3,598,383 and Rs.7, 190,217 had been recovered thereof respectively, until 31 December of the year under review. This was 41 percent and 75 percent as percentages. The balance of rates in arrears as at the last day of the year under review was amounted to Rs.7,608,345.
- (b) Actions had not been taken to recover an arrears rate income of Rs.261,564 that was outstanding during the period of 1 to 11 years from 90 rates units of three government entities.
- (c) Any actions had not been taken to recover the receivable rate amount of Rs.60,113 from 37 units that had presented as Ganagrama temple on the rates recovering schedule without note down the names of rates owners clearly, and rates amount of Rs.21,652 that had receivable from identified new 36 rates units that of regions of Bowala and Ampitiya.
- (d) 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 2006.

### 2.2.3 Other Income

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Following matters are observed.

#### (a) Notice Board Charges

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Actions had not been taken to recover an amount of Rs.125,400 that had to charge from 05 permanent notice boards about 1266 square feet, which had displayed the names of 05 shops that situated relating the town of Thannekumbura in the year under review.

#### (b) Garbage Taxes

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Despite the budgetary estimate has been approved for recover a revenue amount of Rs.1,500,000 for garbage taxes it had been recovered only an amount of Rs.519,000 until 31 December 2016.

### 2.2.4 Court Fines and Stamp Fees

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An amount of court fines of Rs.797,127 and stamp fee of Rs. 83, 466,955 owed from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2106.

### 3 Operational Review

#### 3.1 Performance

The following matters are observed.

- (a) Although an amount of Rs.100,000 had allocated on the budget for repairs and maintenance of roads and pavements in the year under review, actions had not been taken to accomplish relevant services by utilizing same allowances.
- (b) An allowance amount of Rs. 488,580 out of total allowances amount of Rs.612,000 that had allocated by the budget of the year under review for public health programs had not been utilized.
- (c) While the weekly fair, which run on Peradeniya had been abandoned and another weekly fair had not been established elsewhere.

#### 3.2 Management Inefficiencies

The following matters are observed.

- (a) 11 workers who vested designation in labor service had been deployed in office duties and duties on charioteer.
- (b) Although it had been stated that the prior approval of Department of Management service is needed for recruiting employees after the date of said by circular on the basis of casual, substitution, temporary contract of relief, according to the 07 section of circular no. 25/2014 of Public Administration dated on 12 November 2014, 06 workers had recruited without any approval and an amount of Rs. 936,930 had been paid as salaries for the period from 8 January 2016 to 31 December 2016.
- (c) Actions had not been taken to recover the loan balance of Rs. 520,757 which had owing from more than 17 years from 12 employees who had transferred.
- (d) 13 land plots that worth of Rs.15,927,736 and 07 land plots that hadn't calculated the value among subdivided lands were not identified physically and had not been deployed for general purposes.
- (e) Although it had been approved 1027 building plan applications during the period from 2012 to 2015 according to the article 21 of Urban Development Authority Act No.41 of 1978, the certificates of compliances had been issued only for 115.

#### 3.3 Idle /Underutilized Assets

Following matters are observed.

- (a) Although 06 computer equipments worth of Rs. 450,000 had been purchased on 19 October 2015 for E - Nana Piyasa center, it had not been commenced until 28 November 2016 by saying that there were no spaces adequately. The computers that had purchased for it had been abode inactive over the period of one year.
- (b) A Grass Cutter and trailer worth of Rs.340,156 had been abode inactive and underutilized from the period of 08 and 10 years.

### 3.4 Identified Losses

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219 library books worth of Rs.37,220 in the public library of the premises of the Sabha office had missed placed from the period of 01 to 04 years, but any actions had not been taken in this regard.

### 3.5 Contract Administration

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An amount of Rs.1,782,990 had been spent for construct a security wall on the allowances of Ministry of Provincial Council and Local Government and the Pradeshiya Sabha in the land which was situated the buildings for waste separation in the year under review. The following matters are observed in this regard.

- (a) without accomplishing relevant objective, a security wall had been constructed for the safety of building that had constructed for waste management in the land plot allocated for general purposes in Pichchmalwaththa that had subdivided according to the article no. 22 of Urban Development Authority Act No.41 of 1978, to the circular no.2/2016 of Local Government dated on 10 March 2016 and to the objectives of the capital program of uplift the infrastructures of Local Government institute. Also the title deed of the land had not owned to the Sabha.
- (b) The construction had been transferred to a private contractor at a price of Rs.4,266,610 without following proper tender procedure according to the provisions mentioned in article 3.2.2, 5.4.8 (a), 6.2.2 and 6.3 of procurement guidelines, codes of 2006 and section (2), (2) (f), (5) and (7) (1) of the article 178 of Pradeshiya Sabha (financial and administrative) rules of 1988.
- (c) While the concrete mixture of the safety wall had not in proper standard that was under constructing already at the investigation time of the date 28 December 2016, and it had been used stones that irrelevant to the standard, for the concrete mixture.

### 3.6 Solid Waste Management

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While 02 waste tons out of 05 tons that collected daily from the regions of Ampitiya Thennekumbura, Peradeniya, Hanthana, and Mahakanda had been handed over to compost manufacturing yard at Kundasale Pradeshiya Sabha with the charges, and remain garbage quantity about 03 tons had been disposed in an informal manner.

### 3.7 Informal Activities

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Following matters are observed.

- (a) A committee allowance of Rs.279,000 had been paid by the Sabha in the year under review for committee meetings that hold in official time, exterior for the conditions of the section 01 of the letter from the Director General of Urban Development Authority that afforded ix article of 05/01/119 dated on 26 February 1992.

- (b) A committee allowance of Rs.15,000 had paid to the four officers who were not participating in the planning committees that hold on relating dates of the pradeshiya Sabha.
- (c) Although it had been indicated by the audit queries about informal lease outs for external parties of the lands that allocated to the Sabha for the peoples recreations when apportioning and sold, it was observed that being continued the unauthorized construction works at the land plots of no. 11 and 12 in Hanthana west that had received to the Sabha, at the local observation that carried out again on 23 November 2016 about these lands.

4. Accountability and Good Governance  
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4.1 Budgetary Control  
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According to the budget that had made for the year under review, when comparing the estimated and actual values, there were variations in a range of 32 to 47 percent of 02 items of revenue and 20 to 57 percent of 05 items of expenditures. Accordingly, it was observed that the budget had not been made use as an effective tool of management.

4.2 Annual Procurement Plan  
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Although the Sabha had expended an amount of Rs. 33,754,661 as capital expenditures in the year under review, but it had not made a procurement plan for the year.

4.3 Corporate Plan  
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It had not been made a corporate plan as covering the year under review.

4.4 Action Plan  
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It had not made an action plan for the year under review.

4.5 Internal Audit  
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It had not been able to make sufficient and independent internal audit hence the preparation of answers to audit queries and other duties had transferred to the internal audit.

05 Systems and Controls  
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Special attention is needed on following systems and controls.

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