

Kahawaththa Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 09 March 2017 and the financial statements for the preceding year had been presented on 26 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 July 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Kahawaththa Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounts Payable

According to the register of creditors, a loan balance totalling Rs.3,787,548 was observed in respect of the preceding years by 18 November 2016 and action had not been taken to settle the loan balance even by June 2017.

1.3.2 Non-compliance with Laws, Rules, Regulations etc.,

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

**Reference to Laws, Rules, Regulations
and Management Decisions**

Non-compliance

(a) Pradeshiya Sabha Act No.15 of 1987

Section 24

Even though, the roads in the authoritative area of the Sabha should be identified and demarcation of the limits should be done and a list of the names of the roads and narrow streets should be published through the Gazette, action had not been taken accordingly.

**(b) Financial Regulations of the
Democratic Socialist Republic of Sri
Lanka**

(i) Financial Regulation 104

The double cab vehicle received by the Sabha from the Ministry of Local Government and Provincial Councils had met with an accident on 09 September 2016, but action had not been taken thereon in terms of Financial Regulations.

(ii) Financial Regulation 110

A Register of Losses and Damage had not been maintained by the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs. 6,927,310 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,277,750, thus an improvement of Rs.4,649,560 was shown in the financial results as compared with the preceding year.

2.2 Analytical Financial Review

The increase of 05 items of revenue by Rs.3,739,067 and decrease of 01 item of expenditure by Rs.1,272,415 had mainly attributed for the increase of financial results by Rs.4,649,560.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information with regard to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.000	Rs.000	Rs.000
Rates and taxes	3,258	3,413	2,274
Lease rant	6,979	4,506	600
Licence fees	314	322	-
Other revenue	51,435	33,102	13,523

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an extensive decrease in the revenue collected with regard to the revenue items such as rates and taxes, service charges, warrant charges and fines, other revenue and contributions made by the Government by 35 per cent, 15 per cent, 40 per cent, 55 per cent and 44 per cent respectively..

2.3.3 Rates and Taxes

A balance of arrears of rates and taxes from 662 units of assessment rates totalling Rs.2,246,810 had existed as at 30 September 2016 and that balance included 96 units which exceeding Rs.5,000 totalling Rs.1,398,500 or 62 per cent of the total arrears of rates.

2.3.4 Lease Rent

The following observations are made.

- (a) Action had not been taken by the Sabha to publish through the Gazette in respect of the value of the recoverable percentage as entertainment tax for the year under review.
- (b) A balance of arrears totalling Rs.71,143 had existed from 41 units of Acreage tax in the authoritative area of the Sabha, but action had not been taken to recover that amount even by 18 November 2016.
- (c) Even though, the old market Kahawatta had been dismantled and removed and the new market with 48 trade stalls had been constructed by 12 July 2016, action had not been taken to lease 32 trade stalls even by 10 March 2017. Further, 14 traders who carried out businesses in the old market had operated businesses in 15 trade stalls of the new market. However, the old rent had been recovered from them

without being recovered trade stalls rent on new assessment rates. Therefore a loss of Rs.98,348 had incurred to the fund of the Sabha by 31 December 2016.

2.3.5 Licence Fees

In issuing Environment Protection Licences in respect of due projects of part “C” of the Extra-ordinary Gazette No.1533/16 dated 25 January 2008 in terms of the National Environment Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000 and in accordance with the regulations imposed there under, the licences should be renewed after 03 years. But the Sabha had not renewed the licences issued. Further, the Environment Protection Licences had been issued only for 02 industries during the year under review and action had not been taken to conduct a survey relating to the industries for which should be obtained the Environment Protection Licenses in the authoritative area of the Sabha even by 18 November 2016.

2.3.6 Court Fines and Stamp Fees

Stamp fees totalling Rs.557,800 receivable to the Sabha for the year under review and for preceding years from 02 offices of Land Registry had not been recovered even by 18 November 2016 and the stamp fees recoverable for the years 2015 and 2016 from one office of Land Registry had not been identified.

3. Operating Review

3.1 Performance

Even though, sixty five projects totalling Rs.14,300,000 had been identified and estimated for the year under review according to the Public Comments and Proposals, 39 projects out of that had not been implemented by the end of the year under review.

3.2 Management Inefficiencies

The following observations are made.

- (a) According to the internal audit report dated 14 February 2017, a shortage of 29 units of goods relating to 13 items was revealed by the Boards of Survey Reports for the years 2011 and 2012 and the action had not been taken to recover that from the responsible officer.
- (b) The detailed schedules for the fixed assets totalling Rs.93,180,390 had not been presented to audit. Even though, that had been disclosed by audit in the preceding year too, the relevant corrections had not been made even during the year under review.
- (c) Even though, there were 26 cemeteries belonging to the Sabha, the surveys had been done for only 02 of them and a proper methodology had not been followed to acquire other 24 cemeteries.
- (d) The cab vehicle received for the Sabha in the year 2008 had been parked in the premises of the Sabha with a dilapidated condition for a long period. Even though, the approval had been requested from the Department of Local Government on 11 May 2015 to auction that vehicle, action had not been taken to obtain that approval and to dispose even by March 2017.

3.3 Solid Waste Management

The following observations are made.

- (a) Even though, the sewerage and scavenging service and fees charged thereon had been shown as the matters subjected to the by-laws in terms of the Section 126 (IX) (b) of the Pradeshiya Sabha Act No.15 of 1987, action had not been taken by the Sabha to impose a by-law in respect of the sewerage even by 16 November 2016.

- (b) In terms of the Section 95 of the Pradeshiya Sabha Act, every Pradeshiya Sabha should supply the places to dispose garbage properly collecting in the streets, and the garbage, sewage and such type of materials collecting in the houses from time to time. Even though, all arrangements and precautions which may require to dispose such garbage, sewage or any such material in a manner without any hazard should be provided in terms of the provisions of the Act, it was observed in audit that all decayable and solid waste not decayable collecting in the city had been buried by the Sabha in a pit in an open land of the Hawapewaththa area which was not belonging to the Sabha. The public protests had arised due to a hazard had occurred to the public as increasing the hazard of flies around that area. Accordingly, it was observed in audit, that a proper arrangement for waste management had not been implemented. Even though, this had been pointed out by previous audit queries, it was failed to take prompt action to solve these environment problems with paid attention by the Sabha thereon.

3.4 Contract Administration

The following observations are made.

- (a) The project works amounting to Rs.4,584,575 had been completed by the Sabha during the period from July to December 2015 under the strengthening of Pradeshiya Sabha Programme. A sum of Rs.3,421,885 only had been received from the Ministry of Local Government and Provincial Councils but the balance money of Rs.1,162,690 had not been obtained for the Sabha even by 31 December 2016.

- (b) Even though, the payments totalling Rs.2,946,111 should be paid by the Sabha for the works contracted for the 11 various projects for rural roads development under the National Programme for Economic Development of “Dorin Dorata Gamin Gamata”, with the approved societies, in the year 2014 and the constructions completed, the relevant money had not been obtained from the Ministry of Provincial Councils and Local Government and the liabilities had not been settled even by 31 December 2016.

4. Good Governance and Accountability

Budgetary Control

The entire provisions totalling Rs.4,911,000 made for 32 Objects in the year under review had not been utilized.

5. Systems and Controls

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

System -----	Observation -----
(a) Accounting	(i) Classification errors. (ii) Omissions in the accounts. (iii) Not making provisions.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Budgetary Control	Under - utilization of provisions.
(d) Solid Waste Material Management	Not disposed properly.
(e) Non-maintenance of Registers	Not updated the Register of Fixed Assets.