

**Kalawana Pradeshiya Sabha**

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**Ratnapura District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 03 April 2017 and the financial statements for the preceding year had been presented on 02 May 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 11 August 2017.

**1.2 Qualified Opinion**

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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 Kalawana 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 Accounting Deficiencies**

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Even though, a double cab costing Rs.1,145,000 had been sold for a sum of Rs.929,750 on 11 June 2015, that was not eliminated from the accounts in the year 2015. As it, was not rectified in the year under review too, the fixed assets had been overstated by Rs.1,145,000.

**1.3.2 Unreconciled Control Accounts**

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A difference of Rs.24,549,811 was observed between the balances of 12 items of accounts as per financial statements as at end of the year under review and the balances appearing in the subsidiary registers.

### **1.3.3 Lack of Evidence for Audit**

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The detailed schedules had not been made available for audit for the lavatory fees amounting to Rs.39,211 shown under debtors as at 31 December 2016.

## **2. Financial Review**

### **2.1 Financial Results**

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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.6,776,084 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,331,262. Thus an improvement of Rs.3,444,722 was shown in the financial results as compared with the preceding year.

### **2.2 Analytical Financial Review**

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The increase of 02 items of revenue by Rs.4,516,290 and decrease of 02 items of expenditure by Rs.3,414,015 had mainly attributed to the increase of financial results by Rs.3,444,722.

### **2.3 Finance Control**

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The relevant clearances had not been made in respect of the difference totalling Rs.48,905 remained between the balance of the cash book relating to 03 bank accounts and the balance of the bank statement.

### **2.4 Revenue Administration**

#### **2.4.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue**

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

<b>Item of Revenue</b>	<b>Estimated Revenue</b>	<b>Actual Revenue</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	7,530	6,200	4,205
Lease rent	4,368	328	5,134
Licence fees	1,207	330	-
Other revenue	34,635	28,810	11,128

#### **2.4.2 Performance in Collection of Revenue**

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In comparison of the estimated revenue with the revenue collected for the year under review, showed an increase in the revenue collected with regard to the other revenue by 8 per cent and the revenue collected with regard to the items of revenue such as rates and taxes, lease rent, license fees, service charges and warrant charges and fines had decreased by 70 per cent, 33 per cent, 72 per cent, 21 per cent and 53 per cent respectively as compared with the estimated revenue.

#### **2.4.3 Rates and Taxes**

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The arrears of rates and taxes as at 31 December 2016 amounted to Rs.2,639,591 and 68 units of rates and taxes with arrears more than Rs.10,000 had included in that. The relevant arrears of rates amounted to Rs.1,257,768 or 48 per cent of the total arrears.

#### **2.4.4 Lease Rent**

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The following matters were observed.

- (a) The arrears of rent totalling Rs.669,918 on behalf of a meat stall and a fish stall belonging to the Sabha relating to the year 2014 had not been recovered even by 28 April 2017.
- (b) Arrears of rent and fines amounting to Rs.408,400 in respect of the period from September 2016 to December 2016 for the weekly fair of Kalawana had not been recovered even by 22 April 2017.

#### **2.4.5 Other Revenue**

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A revenue of Rs.18,056 had been earned only from 05 banners and advertising hoardings displayed, in terms of by law 01 of the paragraph, 39 of part IV (b) of the Extra-ordinary Gazette Notification No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988. It was observed at the field audit examination that action had not been taken to obtain revenue from 07 banners and cutouts for which should recover fees.

### **3. Operating Review**

#### **3.1 Performance**

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According to the Budget, the provisions had not been made for works in the year 2016. Nevertheless, 03 works totalling Rs.2,607,979 under decentralized funds and 07 works totalling Rs.2,172,264 under Provincial Council Funds had been implemented as per the progress report.

#### **3.2 Management Inefficiencies**

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The revenue collected by the Revenue Officer had not been handed over to the Sabha in the same day and it was revealed that, between a sum of Rs.20,000 and 40,000 out of the revenue collected daily had been retained in every instance of handing over the collected money for a period ranging from 03 days 10 days and handed over to the Sabha. Therefore, it cannot be ruled out in audit that the funds of the Sabha had not been utilized for the private use as the daily revenue had been retained in hand.

#### **3.3 Operating Inefficiencies**

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The following matters were observed.

- (a) A balance totalling Rs.273,361 had existed in 03 dormant bank accounts by 31 December 2016 and that money had not been utilized for an effective activity.
- (b) The expected revenue to be earned from the meat stall and 05 fish stalls belonging to the Sabha could not be earned due to tenders for the year under review had not been offered and the tenders had been given up in a short period. While action had not been taken to invite tenders again for those trade stalls.

### **3.4 Idle / Underutilized Assets**

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Two tractors and 02 trailers belonging to the Sabha had remained idle from July 2005 and action had not been taken either to repair and utilize or to dispose even by July 2017.

### **3.5 Contract Administration**

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The following matters were observed.

- (a) Even though, the work of the renovation of Kalawana, Dolahena Road had been completed by spending Rs.1,038,991, a sum of Rs.25,775 had been overpaid more than the work completed under One Object.
- (b) A sum of Rs.1,026,178 had been paid for the work of concreting of Panapola Kosgulana Road. Even though, a sum of Rs.14,381 had been paid for a cubic meter for concreting with the concrete mixture of 1:2:4 (3/4) under one item of work of the payment report, the payable amount for a cubic meter had been Rs.13,657 according to the Sabaragamuwa Provincial Price Register. As such, a sum of Rs.43,806 had been over paid for 60.59 cubic meters.

### **3.6 Solid Waste Management**

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Even though, the waste had been taken over by the Sabha by separating as decayable waste and non-decayable waste, it was observed that, the waste had been put in to the pits and burned in disposing of those. It was observed that, a proper management had not been carried out in respect of the waste which could not be burned.

## **4. Good Governance and Accountability**

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### **4.1 Budgetary Control**

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The entire provisions totalling Rs.1,642,830 made for 36 Objects in the Budget for the year under review had not been utilized.

### **4.2 Annual Procurement Plan**

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An annual procurement plan for the year under review had not been prepared.

#### **4.3 Audit and Management Committees**

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The Audit and Management Committee had not been established and implemented for the year under review.

#### **4.4 Internal Audit**

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An internal audit for the year under review and for the preceding year had not been carried out.

#### **4.5 Unsettled and unreplied Audit Queries**

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Replies to 02 audit queries had not been furnished by 31 December 2016. The value of quantifiable transactions of those audit queries amounted to Rs.2,224,698.

#### **5. Systems and Controls**

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

##### **System**

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##### **Observation**

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(a) Accounting	(i) Not recognized the due revenue for the year. (ii) Unreconciliations of the ledger accounts and subsidiary registers.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Assets Control	Existence of idle and underutilized assets.
(d) Contract Administration	Payments made for works not executed.
(e) Budgetary Control	Savings on Provisions.
(f) Solid Waste Management	Not disposed properly.