

**Kolonna Pradeshiya Sabha**

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

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**1.1 Presentation of Financial Statements**  
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The financial statements for the year under review had been presented to audit on 31 March 2017 and the financial statements for the preceding year had been presented on 13 May 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 21 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 Kolonna Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**  
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The following matters were observed.

- (a) Eighteen library books totalling Rs.10,080 received as donations during the year under review had not been brought to accounts.
- (b) As fixed assets totalling to Rs.150,492 had been eliminated from the accounts without being implemented the recommendations of the Reports of the Boards of Survey in the year under review, the fixed assets had been understated by similar amount.

- (c) The consumable items purchased during the year 2016 had been brought to account as fixed assets and as such the fixed assets had been overstated by Rs.11,000.
- (d) The errors existed in 02 ledger accounts as at 31 December of the preceding year had been brought forward without being rectified in the year under review and as such the current liabilities of the year under review had been overstated by Rs.147,300.
- (e) The accumulated fund had been understated by Rs.24,500 due to recording in the accumulated fund and the shortage account in rectifying the erroneous accounting treatment of miscellaneous deposits payments totalling Rs.24,500 under repairs and maintenance of capital assets,.
- (f) The Accumulated Fund had been understated by Rs.96,630 due to recording in the accumulated fund and shortage account in rectifying the erroneous accounting treatment of payments from working deposits totalling Rs.96,630 under capital expenditure,.
- (g) The balance of advance account as at 31 December 2016 and the total of the balances of 04 deposits accounts had been understated by Rs.261,354 and Rs.1,219,198 respectively.

### **1.3.2 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.**

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

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

**Non-compliance**

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**Financial Regulations of the  
Democratic Socialist Republic of  
Sri Lanka**

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|------------------------------|---|
| (a) Financial Regulation 371 | Two advances totalling Rs.83,310 paid during the period from the year 1998 to the year 2015 had not been settled even by July 2017. |
| (b) Financial Regulation 571 | Action had not been taken even by July 2017 on 64 lapsed deposits totalling Rs.387,260 older than 02 years as at 31 December 2016.  |

**2. Financial Review**

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**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.2,237,150 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,838,482 indicating a decrease of Rs.10,601,332 in the financial results as compared with the preceding year.

**2.2 Analytical Financial Review**

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Decrease of 02 items of revenue by Rs.10,362,217 and the increase of 03 items of expenditure by Rs.1,247,759 had mainly attributed to the decrease of the financial results by Rs.10,601,332.

**2.3 Revenue Administration**

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**2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue**

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

<b>Items of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	857	887	342
Lease Rent	5,736	3,605	5
Licence Fees	647	936	-
Other Revenue	29,379	19,807	8,695

### **2.3.2 Performance in Collection of Revenue**

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A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in revenue collected with regard to the revenue items such as licence fees, and other revenue by 45 per cent, and 16 per cent respectively and the revenue collected with regard to the revenue items such as lease rent, warrant charges and fines and contribution made by the Government had decreased by 37 per cent, 36 per cent and 45 per cent respectively.

### **2.3.3 Licence Fees**

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Five institutions which should be obtained environment protection licences for the businesses as stated in the Extra-ordinary Gazette No.1533/16 of the Democratic Socialist Republic of Sri Lanka dated 25 January 2008 had not obtained the environment protection licences for the year under review.

### **2.3.4 Other Revenue**

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Even though, it had been published to recover fees for the advertisements made from polythene or textile materials according to the Gazette No.1945 of the Democratic Socialist Republic of Sri Lanka dated 11 December 2015, no fees from any advertisement published in the year under review had been recovered.

### **2.3.5 Court Fines and Stamp Fees**

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The following matters were observed.

- (a) Court fines receivable from the Embilipitiya Magistrate's Courts amounting to Rs.1,145,910 for the period from June to December of the year under review had not been recovered even by July 2017.
- (b) The stamp fees amounting to Rs.4,982,959 receivable from the Office of the Land Registry Embilipitiya for the period from April to December 2015 and for the year 2016 had not been recovered even by July 2017.

## **3. Operating Review**

### **3.1 Performance**

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The works expected to be implemented in the year under review had not been identified in the annual Budget 2016 and the financial provisions totalling Rs.7,000,000, had been made comprising Rs.1,000,000, under Pradeshiya Sabha Funds and Rs.6,000,000 under Provincial Council and other funds. Provisions totalling Rs.58,001,677 comprising Rs.3,912,398 and Rs.54,089,279 had been incurred for 08 works under Pradeshiya Sabha Funds and for 56 works under Provincial Council funds during the year under review.

### **3.2 Management Inefficiencies**

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The following matters were observed.

- (a) A decision had been taken by the Sabha on 26 August to name the developed villages and to take relevant actions thereon in terms of the Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987, but the action to name the developed villages had not been carried out even by 31 August 2016 and that work had been delayed by 02 years.

- (b) According to the Action Plan of the year under review it was planned to establish Childrens Sections in the libraries and to install computer units for the libraries. Nevertheless, those activities had not been implemented during the year under review.

### **3.3 Idle and under utilized Assets**

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Five machineries and motor vehicles totalling Rs.6,136,550 which should be repaired or to be disposed by July 2017 had remained without being repaired or disposed of, for a period ranging from 07 months to 08 years.

### **3.4 Solid Waste Management**

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The solid waste collected by the Sabha had been stored in an old building belonging to an external institution until separation and disposing of properly. That building was filled with solid waste by July 2017 and a proper methodology had not been followed to dispose that waste properly.

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

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### **4.1 Budgetary Control**

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The entire provision made for 90 Objects in the Budget for the year under review totalling Rs.42,690,300 had not been utilized and provisions ranging from 85 per cent to 98 per cent had been saved out of the total provisions made for 09 Objects totalling Rs.886,920.

### **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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Action had not been taken to establish Audit and Management Committees and to implement them.

#### 4.4 Internal Audit

Even though, an internal audit unit had been established and the works had been assigned to an officer to carry out internal audits in the year under review, that unit had not been implemented.

#### 5. Systems and Controls

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

##### System

##### Observation

(a) Accounting	(i) Omissions in the Accounts. (ii) Unreconciliations of ledger accounts and subsidiary registers. (iii) Understatement of Revenue. (iv) Understatement of Assets.
(b) Revenue Administration	Non-recovery of due revenue.
(c) Assets Control	Existence of idle and underutilized assets.
(d) Budgetary Control	Savings on provisions.
(e) Solid Waste Management	Non-disposing of waste regularly.