

**Ganga Ihala KoralePradeshiyaSabha**  
**Kandy 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 for the audit on 30March 2017 and the Financial Statements relating to the previous year was presented to the audit on 31<sup>st</sup>March 2016.

1.2. Qualified Opinion  
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In my Opinion, except of the effect of the matters described in paragraph 1.3 of this report Financial Statements give a true and fair view of the financial position of the Ganga Ihala KoralePradeshiyaSabha as at 31<sup>st</sup> 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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Two Project implemented under the program of Strengthening the Pradeshiya Sabha the capital expenditure of Rs.991,680 had been accounted under the recurrent expenditure during the year under review.

1.3.2 Payable and Receivable Accounts  
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a) Accounts Receivable  
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While the total 08 balance of accounts receivables as at 31 December 2016 amounted to Rs17,127,796 a balance that had elapsed more than 5 years amounting to Rs.1,279,360 included therein

b) Accounts Payable  
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While the total 02 balances of accounts payables as at 31 December 2016 amounted to Rs15,365,939, Industrial creditor balance of Rs.14,752,838 had been included in the payable balance and a balance that had elapsed than a year amounting to Rs.8,698,689 therein.

1.3.3 Lack of Documentary Evidence for Audit  
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Transactions totaling Rs. 79,293,913 relevant to 02 items of accounts could not be satisfactory vouched in audit, due to non submission of required information to audit.

1.3.4 Non Compliance to the Laws, Rules and Regulations  
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Following instances of non compliance with laws, rules and regulations were observed in the audit.

Reference to Laws, Rules and Regulations -----	Non Compliance -----
a) Rule No 218 of Pradeshiya sabha (Financial and Administrative) in 1988	Action had not been taken to check all of the land and buildings owned to the Sabha.
b) Public Administration Circular -----	
The Circular No. 41/90 dated on 10 October 1996	Fuel Consumption of 7 vehicles belongs to Sabha have not been checked.
The Circular No. 15/2001, Section 02 dated 07 August 2001	Time machine not used to record attendance times of employees.

## 2 Financial Review

### 2.1 Financial Results

According to the Financial Statement presented, excess of revenue over recurrent expenditures of the Sabha for the year ended 31 December 2016 amounted to Rs.13,977,226, as compared with the corresponding amount in excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 18,127,662. When compared with the preceding year, an decrease of Rs.4,150,436 was observed in the financial results for the year under review.

### 2.2 Revenue Administration

#### 2.2.1 Rates

Following observation are made.

- a) While the balance of arrears rates amounted to Rs 1,575,086 as at 01 January 2016, the recovered amount was Rs 682,743 in the year 2016. The billed amount was Rs.971,479 in the year and recovered amount was Rs. 682,708 during the year. While the amount as the percentages of 43 percent and 70 percent, the balance of the rate arrears was amounted to Rs.1,181,114 as at 31 December 2016. According to the collection of revenue in arrears was remained a level of week. The balance of Rs.889,741 would have to be remained on 30 April 2017.
- b) Action had not been taken to recover the balance rate arrears amounted to Rs 278,299 from 10 government entities which are coming over the years. The balance due Rs.161,915 remained as at 30 April 2017.
- c) Although a rate assessment is to be carried out once in 5 years, it's been 9 years over the rates had been charged on the basis of year 2007.
- d) Although the decision of the Maha Sabha at the date of 27 September 2011, 3107 units identified in 5 new assessment arrears. Action had not been taken in this regard.

### 2.2.2 Lease Rent

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- a) Action had not been taken to recover the lease rent of Rs 138,626 from 13 stall keepers; those were removed in Kurunduwaththta town in the period of 1998 to 2006.
  - b) Six stall of the Kurunduwaththa shopping complex were subleased to another parties for monthly rent of Rs.5,000 to Rs.25,000
  - c) Since 6 years, a arrears balance of stall rent amounted to Rs 407,000 from three stall keepers in Ethgala Shopping complex since 6 years as at 31 December 2016. The balance of Rs 383,000 has been remained as the receivable as at 30 April 2017.
  - d) It was observed that 14 stalls in the Ethgala shopping complex were closed for more than a year in the field visit carried out on 08 November 2016.
  - e) It was observed that in site visit on 18 November 2016 the Landlords at the Kurunduwaththa shopping complex had sold 4 stalls to other parties for the cost of Rs.1,520,000. Thirteen other shops in the Kurunduwaththa shopping complex were given to Samurdhi beneficiaries without any contract or tendering. And 3 stall owned to the 3 samurdhi beneficiaries had been subleased to outside parties for Rs.2,000 to Rs. 2,600 in 1 year to 8 year period without the approval of the Sabha.

### 2.2.3 Other Income

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- a) Acreage Tax
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While the balance of arrears acreage tax as at 31 December 2016 amounted to Rs 66,283, a balance that elapsed more than 5 years amounting to Rs 24, 304 has been included therein.

b) Water Chargers  
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The Following matters are observed.

- (i) Action had not been taken to recover the 13 years arrears water charges amounting to Rs.72,559 coming since year 2003 from 104 consumers relating to the 7 inventive water schemes, those are operating about the year 1999.
- (ii) Although the Rs. 200,000 had been allocated for the renovation of water schemes at the annual budget, water schemes were not restored.
- (iii) The water supply of 62 persons from 2 water schemes, currently in operation was not consolidated of filtered water distribution were not safe.

c) Notice Board Charges  
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- (i) Action had not been taken to recover the notice board charges amounted to Rs. 68,950 from 36 notice boards. The balance of Rs. 30,100 should have been due on 30 may 2017.
- (ii) Action had not been taken to recover the arrears balance of Rs 48,600 from Etisalat Private Limited since 2015.

d) Three Wheeler Charges  
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Action had not been taken to collect the charges from 45 registered Three wheelers, even by-laws were not passed with regarding to the Three-wheeler charges. The balance of Rs127,800 should have been due on 30 April 2017.

2.2.4 Court Fines and Stamp Duty  
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A sum of Rs.135,583 of Court Fines and Rs.2,175,453of Stamp Fees were to be received from the Chief Secretary of the Provincial Council and Other Authorities at 31 December 2016. Also the Court fines of Rs 82,500 should have been due on 05 June 2017.

### 3 Operational Review

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#### 3.1 Performance Evaluation

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##### a) Implementation Of Development Proposals under the Sabha Fund

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- (i) Thirteen Development Proposals that were planned to be implemented under the Sabha Funds were submitted to the Commissioner of Local Government in last quarter of the year and 11 projects had been approved and 3 projects were not implemented from the approved project during the year under review.
- (ii) While the Pradeshiya Sabha allocated a Rs of 10,200,000 on a net basis without identifying project in the previous year for Development works, only 12 projects had been completed by spending Rs. 4,938,731 during the year under review.

##### b) Grants not Spending for Objective Works

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The total allocation of Rs 170,000 had been saved without using the Public Health Germination and Protection under the Public Health program during the year under review.

#### 3.2 Management Inefficiencies

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The following matters are observed.

- a) Action had not been taken to recover a loan of Rs. 57,700 due from a retired employee retired on 28 October 2015.
- b) While the 169.64 perches of land reserved for the common purposes of subdivided lands had not been developed and use for the common purposes. The Management Deed had not been get for the 37 perches of land allocate for the common purposes of subdivided land in Mariyawaththa Estate Hiltop Garden.

### 3.3 Operational Inefficiencies

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Although the approval granted for the 235 applications from the 381 applications during the period of 2014 to 2016, the compliance certificate were issued only 25 applications.

### 3.4 Idle/ Underutilized Assets

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Three assets items worth of Rs 614,550 and two items of assets did not identified the value of assets had been idle and underutilized since 1 to 5 years.

### 3.5 Contract Administration

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#### Asupini Ella Development Attraction Project

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Asupini Ella Development Attraction Project estimated at the cost of Rs 12,500,000 was planned to operate by co-coordinating with the Ganga Ihala Korale Pradeshiya Sabha, Provincial Road Development Authority and Provincial Tourism Department. The Central Provincial Commercial and Tourism Department had been allocating Rs.10,000,000 for the project at the date of 24 February 2016. Although it is confirm by the letter of the Provincial Director of the Trade, Commercial and Development Department of the Central Province on 24 February 2016 that the project should be completed at the date of 31 October 2016. There was no other function operated than the construction of a road to reach the project at the cost of Rs. 1,885,403.

### 3.6 Delay of Proposed Projects

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Although the construction of three projects at the cost of Rs1,500,000 under the Maga Neguma Development Program had been assigned to 3 Community Development Organization in the year 2013 action had not been taken to cancel the agreement or start the works at the date of 31 December 2016.

### 3.7 Solid Waste Management

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The following matters are observed.

- a) While the Kurunduwaththa area 30 to 50 kilogram of the decaying garbage were sent to the Bio Gas unit, and Dholosbage and Ulapane areas about 175 kilograms of decaying and non-decaying garbage were irregularly disposed without any classification.
- b) Although the amount of Rs. 50,000 allocate for the program of informing Waste Management under the Health Service in budget estimate of the year, any programs was not operate for the Waste Management program as at 31 December 2016.
- c) While the collected decaying garbage in the Kurunduwaththa town were disposing to the Bio Gas Unit, and the Bio Gas generated from hte last year has been provided free of charge to a nearby shop.

### 3.8 Environmental Problems

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The public toilets at the Kurunduwaththa town and Ethgala trade complex were being kept in unsafe state without any maintenance or repair.

## 4 Accountability and Good Governance

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### 4.1 Budget Control

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The following matters are observed.

- (a) When preparing budgets for the proposed development projects which are governed by the Sabha Fund, approximate figure of Rs. 10.2 Mn have considered instead of a proper estimated figure.



- (b) According to the Budget estimate that had made for the year under review when comparing estimated revenue and expenditure with the actual revenue and expenditure, it had observed deviation of 06 items of revenue from 23 percent to 41 percent and 5 items of expenditure from 24 percent to 61 percent. Accordingly it was observed that, the budget had not been use of an effective tool of Management.
- (c) A total of Rs.3,214,350 was allocated for 26 expenditure items were saved during the year under review.

#### 4.2 Annual Procurement Plan

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Although the capital expenditure of the Sabha amounted to Rs 12,849,153 during the year under review, it had not been prepared a Procurement plan.

#### 4.3 Corporate Plan

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It had not been prepared a corporate plan for the year under review.

#### 4.4 Annual Action Plan

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It had not been prepared a corporate plan for the year under review.

### 5. Systems and Controls

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

- a) Contract Administration
- b) Revenue Administration
- c) Assets Management
- d) Debtors and creditors
- e) Budgetary control