

Kegalle Pradeshiya Sabha
Kegalle District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 16 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 31 July 2018.

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 Kegalle Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) The tractor and trailer received by the Sabha in the year 2014 valued at Rs.1,990,000 had not been brought to account and as such motor vehicles and cart account and the revenue contribution to capital outlay account had been understated by similar amount.
- (b) A tractor valued at Rs.426,050 had been brought to account as Rs.346,877 and as such motor vehicles and cart account and revenue contribution to capital outlay account had been understated by Rs.79,173.
- (c) Despite that, retention money of 10 per cent amounting to Rs.106,276 which received in respect of 08 works under the provisions of the Provincial Council had been credited to the General Deposit Account, that amount had been included again in the creditors and debtors accounts. As such, the creditors and debtors accounts had been overstated by similar amount.

(d) The interest revenue of fixed deposits relating to the year under review had been understated by Rs.218,549.

(e) The discounts of Rs.40,145 received in purchasing of library books had been understated in the discount received account, expenditure account, library books account and revenue contribution to capital outlay account by similar amount.

1.3.2 **Unreconciled Accounts**

According to the financial statements, relating to 06 items of accounts totalled Rs.64,677,884 whereas the total of the balances as per subsidiary registers/reports amounted to Rs.63,688,839 resulting in a difference of Rs.989,045.

1.3.3 **Accounts Receivable and Payable**

(a) **Accounts Receivable**

The receivable balance older than 01 year as at 31 December 2017 amounted to Rs.19,710,965.

(b) **Accounts Payable**

The payable balance older than 01 year as at 31 December 2017 amounted to Rs.2,379,495.

1.4 **Non-compliances**

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

In terms of the Financial Regulations 1645(b), (c) and 1646 of the Democratic Socialist Republic of Sri Lanka, the Daily Running Charts of 05 motor vehicles and 02 motor vehicles had not been furnished to audit for a period since 05 years and relating to the year 2017 respectively.

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 2017 amounted to Rs.22,300,232 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.24,367,221.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue**

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

Source of Revenue	Estimated Revenue	2017			2016			
		Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	2,737,340	2,893,908	2,227,345	666,562	2,808,140	3,203,718	2,174,898	1,028,820
(ii) Lease Rent	100,800	177,282	130,205	47,077	1,017,000	1,934,418	1,934,418	-
(iii) Licence fees	985,000	1,034,171	1,034,171	-	1,372,000	1,612,725	1,612,725	-
(iv) Other Revenue	49,570,000	53,716,545	29,344,730	2,437,180	46,100,000	56,135,322	41,573,985	14,561,337

2.2.2 **Performance in Collection of Revenue**

A comparison of the estimated revenue of the year under review with the revenue collected showed a decrease with regard to rates and taxes and other revenue by 19 per cent and 40 per cent respectively and revenue collected from lease rent and licence fees had increased by 29 per cent and 05 per cent respectively.

2.2.3 Rates and Taxes

The following matters were observed.

- (a) Even though, the action should be taken to identify and notify the developed areas of the authoritative area of the Sabha from time to time and to recover the rates and taxes, action had not been taken to identify the developed areas during the past 10 years period. As such the revenue of rates and taxes could have been earned by the Sabha had been deprived.
- (b) The arrears of rates and taxes and the acreage tax as at 31 December 2017 had been Rs.958,115 and Rs.156,989 respectively. Legal action had not been taken to recover rates and taxes and acreage tax remained for over a period of 1 year amounting to Rs.314,459 and Rs.146,884 respectively.

2.2.4 Lease rent

Action had not been taken to recover lease rent for 02 trade stalls receivable since prior to the year 2012 amounting to Rs.16,140 and receivable for the years 2013 and 2015 amounting to Rs.80,299.

2.2.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable from Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs. 10,678,923 and Rs.30,217,745 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Failure to Achieve Expected Outcome

The following matters were observed.

- (i) Under Provincial Road Development Project a sum of Rs.291,262 had been incurred for concreting a road which advantageous only for 2 beneficiaries.
- (ii) Under Strengthening of Pradeshiya Sabha Programme the provisions of Rs.2,835,000 had been made for maintenance of 21 roads by deploying premix (pre-mixture) in the year under review. Nevertheless, that works had not been executed.

(b) Solid Waste Management

The following matters were observed.

- (i) The collection of biodegradable waste had not been carried out in the authoritative area of the Sabha and the waste had been disposed of around the road towards to Rambukkana from Karandupana Junction and to the bank of the canal. Therefore a very unclean environment was created in the both sides of the road.
- (ii) As an access road and a bridge were not available for the land of Morontota Halmassa Lunugala watta which had been purchased to commence a solid waste management project without being carried out a feasibility study, the proposed project could not be commenced. As such the sum incurred of Rs. 4,286,322 by the Sabha to purchase the land and for other activities had become a fruitless expenditure.

3.2 **Assets Management**

The following matters were observed.

(a) Annual Boards of Survey

Even though, the shortages of electric appliances amounting to Rs.11,413 and inventory articles amounting to Rs.32,609 were revealed as per the Board of Survey Report 2016, the action had not been taken to settle the shortages even by April 2018.

(b) **Idle and Underutilised Assets**

Even though a motor vehicle valued at Rs.426,050 and another vehicle valued at Rs.625,000 belonging to the Sabha had remained idle for 05 years and 25 years, respectively, action had not been taken either to repair and utilize or to dispose.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

Provisions totalling to Rs.8,150,173 comprising the provisions of 100 per cent made for 07 Objects in the Budget of the year under review totalling to Rs.367,000 and the provisions ranging from 85 per cent to 99 per cent made for 15 Objects totalling Rs.7,783,173 had not been utilized.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System

Deficiencies

- | | |
|----------------------------|---|
| (a) Accounting | (i) Clear narrations not presented for journal entries. |
| | (ii) Non-reconciliations of schedules with accounts. |
| (b) Revenue Administration | (i) Failure to institute legal actions to recover arrears of revenue. |
| | (ii) Failure to identify developed areas to recover assessment rates. |
| (c) Budgetary Control | (i) Considerable savings in estimated provisions. |
| | (ii) Non-recovery of estimated revenue |
| (d) Assets Control | (i) Non-submission of Daily Running Charts. |
| | (ii) Failure to carry out fuel tests of the motor vehicles. |
| | (iii) Action not taken for vesting of motor vehicles belonging to other institutions used by the Sabha. |
| | (iv) Incomplete information in registers of lands. |