

**Kandaketiya Pradeshiya Sabha**  
**Badulla District**

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 17 June 2014 and the financial statements for the preceding year had been presented on 28 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 16 September 2014.

**1.2 Opinion**

In my opinion, except for the effects on the financial statements of the matters referred to in paragraph 1.3 of my report, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Kandaketiya Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

**1.3 Comments on Financial Statements**

**1.3.1 Non-compliance with the Sri Lanka Public Sector Accounting Standards**

The financial statements for the year under review submitted by the Sabha had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

**1.3.2 Accounting Deficiencies**

- (a.) A sum of Rs.840,443 payable to the Local Government Pension Fund for the previous years had been treated in the accounts as an expenditure for the year under review. Therefore the excess for the year under review had been understated in the financial statements by Rs.840,443.
- (b.) Income from court fines receivable as at 01 January of the year under review amounted to Rs.464,339 whereas it had been brought to account as Rs.1,659,008. As such the revenue debtors and the accumulated fund as at 31 December of the year under review had been overstated in the financial statements by Rs.1,194,669.
- (c.) Withholding Tax of 10% payable for 07 works had been accounted under creditors and as a result, the creditors as at 31 December of the year under review had been overstated by Rs.346,151 and the refundable deposits had been understated in the financial statements by a similar amount.

**1.3.3 Accounts Receivable and Payable**

According to the financial statements presented, the balances of accounts receivable as at 31 December of the year under review amounted to Rs.10,374,185 and the accounts payable amounted to Rs.9,383,599.

**1.3.4 Lack of Evidence for Audit**

Transactions totaling Rs.3,400,000 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

### 1.3.5 Non-compliance with Laws, Rules and Regulations

Contributions to the Employees Provident Fund amounting to Rs.422,734 deducted from the employees since 2008 had not been remitted to the Fund as required in terms of the provisions of the employees Provident Fund Act No.15 of 1958.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2013 amounted to Rs.888,941 as compared with the excess of recurrent expenditure over revenue amounting to Rs.101,358 for the preceding year. Accordingly, an adverse variance of Rs.787,583 was observed.

### 2.2 Analytical Financial Review

An analytical review of the net decrease of the financial results is shown below.

<u>Recurrent Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	
Taxes	929,635	566,545	363,090	
Lease Rent	1,849,936	1,182,009	667,927	
Licence Fees	379,160	402,160	(23,000)	
Service Charges	105,000	244,265	(139,265)	
Warrant Charges and Fines	800,610	711,317	89,293	
Other Revenue	332,312	121,467	210,845	
Revenue Aid	8,412,882	6,774,441	1,638,441	2,807,331
			-----	
<u>Recurrent Expenditure</u>				
Personnel Emoluments	9,314,132	7,645,986	(1,668,146)	
Travelling Expenses	240,300	168,955	(71,345)	
Supplies and Equipment	339,488	224,453	(115,035)	
Repairs and Maintenance of Capital Assets	2,070,745	1,345,325	(725,420)	
Transport, Utility and Other Services	329,144	329,844	700	
Aid, Contributions and Subsidies	458,158	240,553	(217,605)	
Pensions, Pensionery Benefits and Gratuities	946,507	148,444	(798,063)	(3,594,914)
			-----	
				-----
			Adverse Variance	(787,583)
				=====

### 2.3 Revenue Administration

#### 2.3.1 Trade Licence and Other Revenue

The progress of recovery of arrears as at 01 January 2013 in respect of trade licence fees, water charges and stall rent was less than 03 percent and the progress of recovery of stall rent billed for the year was less than 27 percent.

#### 2.3.2 Court Fines and Stamp Fees

Court fines and stamp fees receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
Court Fines	1,198,201
Stamp Fees	429,235
	-----
	1,627,436
	=====

### **3. Operating Review**

#### **3.1 Operating Inefficiencies**

- (a.) The validity period of the agreements entered into with the lessees of 05 stalls situated at Kandaketiya Junction had been lapsed on 15 July 2007. But, these agreements had not been renewed. The approval of the Chief Minister had been received in 2012 to lease out these stalls to the previous owner on long-term basis. But, the stalls had not been leased out as such even by June 2014.
- (b.) Five stalls at Kandaketiya Junction and 03 stalls in the Fair Site owned by the Sabha had not been assessed once in 05 years in terms of the provisions of Circular No.1980/46 dated 31 December 1980 of the Commissioner of Local Government.

#### **3.2 Idle Assets**

- (a.) The Cab bearing No.252-6371 which is in running condition had not been used and the Hand Tractor bearing No.UPGY-0873 had been parked in the Sabha premises without being used. The Trailer of it is being decayed.
- (b.) The Electricity Generator provided to the Sabha by the Disaster Management Centre in year 2007 was non-operative since year 2011 and it had been idling in the Sabha premises without taking action to repair and use it.
- (c.) A Toshiba Photo Copying Machine received from the Department of Local Government was non-operative and not in use.

#### **3.3 Disposal of Waste**

The Sabha is not carrying out a solid waste management and the waste collected is improperly disposed of to a land owned by the Mahaweli Authority at Buddhang Kotte situated along Raja Mawatha.

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

#### **4.1 Budgetary Control**

The following variances were observed between the budgeted revenue and expenditure of year 2013 and the actual revenue and expenditure.

<u>Recurrent Revenue</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage of</u>
	Rs.	Rs.	Rs.	<u>Variance %</u>
Taxes	753,740	929,635	175,895	23.3
Licence Fees	515,000	379,160	135,840	26.3
Service Charges	725,000	105,000	620,000	85.5
Other Revenue	169,700	332,312	162,612	95.8
Revenue Aid	7,461,172	8,412,882	951,710	12.7

**Recurrent Expenditure**

Travelling Expenses	196,000	240,300	44,300	22.6
Supplies and Equipment	425,000	339,488	85,512	20.1
Repairs and Maintenance of Capital Assets	1,400,000	2,070,745	670,745	47.9
Transport and Utility Services	390,000	329,144	60,856	15.6
Aid, Contributions and Subsidies	810,000	458,158	351,842	43.4
Pensions, Pensionery Benefits and Gratuities	196,716	946,507	749,791	381.1

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Assets Management
- (c.)