

Kundasale Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 23 March 2015 while Financial Statements relating to the preceding year had been submitted on 26 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 10 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Kundasale Pradeshiya Sabha as at 31 December 2014 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 Policies

Accounting Policies adopted in preparation of accounts had not been disclosed.

1.3.2 Accounting Deficiencies

Following deficiencies are observed.

- (a) Value of Tractor No. CP-RA-4176 amounting to Rs.715,550 belongs to the Sabha ha not been accounted.
- (b) Action had not been taken to identify and remove the cost from the relevant assets of each item of Furniture and Office Equipment valued at Rs.107,360 auctioned in 02 instances during the year under review.
- (c) Action had not been taken to identify and remove the cost from the accounts with regard to Hand Tools auctioned for Rs.10,225 during the year under review.
- (d) Stalls Rent amounting to Rs.22,269 received for the ensuing year as at 31 December of the year under review had been debited to Stalls Rent in arrears Account having credited to Receipts in Advance Account.

- (e) Out of 06 Garbage Carts belong to the Sabha value of 04 Garbage Carts had not been identified and accounted.
- (f) Value of drugs stock received from the Ayurvedic Corporation to the Sabha during the year under review had not been computed and accounted.

1.3.3 Suspense Account

While there was a credit balance of Rs.15,383 in the Suspense Account as at 31 December of the year under review, action had not been taken to investigate and settle it.

1.3.4 Lack of Evidence for Audit

Following matters are observed.

- (a) Transactions totaling Rs.38,583,215 relating to 06 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.
- (b) While title deeds or vesting orders of lands amounting to Rs.543,590,000 as at 31 December of the year under review were not available with the Sabha, it had not been disclosed by way of a note to accounts.

1.3.5 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance with Laws, Rules and Regulations were observed in audit.

Reference to laws, rules, regulations etc.	Non-compliance
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(a) Central Province Code of Financial Rules ----- F.R. 351	Action in terms of the Regulation referred to in had not been taken with regard to 04 dishonored cheques valued at Rs.76,599, old more than 04 years.
(b) Orders and provisions (Planning and Buildings) of Urban Development Authority published in the Gazette Notifications No. 392/9 and 935/6 of the Republic of Sri Lanka	i.Un-authorized sub-divisions had been done without getting approval for plans relevant to 25 sub-divisions carried out.

ii Title deeds and transfer orders of blocks of lands relevant to common amenities of 06 lands sub divided had not been obtained to the Sabha.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2014 amounted to Rs.81,885,063 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.49,292,516 indicating an improvement of Rs.32,592,027 in the financial result.

2.2 Performance in Revenue Collection

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Summarized information as furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are shown below.

Item of Revenue	Arrears as at 01.01.2014	Revenue	Revenue Collected billed during the year	Amount not Out of Arrears as at 01.01.2014	Amount not collected out of arrears as at 01.01.2014	Total collected out of billing for the year	arrears to be collected
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs
Rates and Taxes	6,173,240	7,280,448	4,069,832	3,549,024	2,103,408	3,731,424	5,834,832
Acreage Tax		75,663	7,680	104	1,569	75,559	81,670
License Fees		---	---	---	---	--	--
Garbage Tax	912,687	1,800,000	236,380	1,715,863	676,307	84,137	760,444
Stalls Rent	848,586	3,211,008	757,623	2,971,467	90,963	239,541	330,504
Three Wheeler Charges (Council Land Leasing)	1,949,994	613,800	359,843	263,805	1,590,151	349,995	1,940,,146

Revenue totaling Rs. 36,689,798 was in arrears as at 31 December of the year under review.

2.2.2 Rates

Following matters are observed.

- (a) While a sum of Rs.4,069,832 had been recovered out of the balance of Rs.6,173,240 at the beginning of the year under review, recoveries out of billings had been Rs.3,549,024. Accordingly, the percentage of recovery out of arrears of the year and billings had been 57 per cent. Out of the balance of Rs.5,834,832 to be recovered as at 31 December 2014, although there was a further balance of arrears amounting to Rs.4,760,756 as at 30 June 2015, action had not been taken to recover the balances in arrears by following provision in terms of Sections 158(1) and 159 (1) of the Pradeshiya Sabha Act No.15 of 1987.
- (b) While the balance of Rates in arrears as at the date of end of the year under review according account was Rs.5,834,832, according to information submitted by the Chairman, balance had been Rs.5,029,615 and therefore a difference of Rs.805,217 was indicated.

2.2.3 Garbage Tax

While there was a balance of Rs.912,687 at the beginning of the year under review, out of that a sum of Rs.760,444 was in arrears at end of the year. Accordingly, percentage of recovery was in a weak level such as 31 per cent. A proper scheme had not been implemented to recover those amounts.

2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs.610,580 and Stamp Fees amounting to Rs.27,131,620 were due as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities. Out of this, Stamp Fees amounting to Rs.574,873 was outstanding further as at 30 June 2015.

2.2.5 Other Revenue

According to the Gazette Notification No. 1597/8 dated 17 April 2009 of the Urban Development of Authority, occupation or using of buildings should not be done without the certificate of conformity and in the event of violation of those instructions, charges should be recovered at the rate of Rs.50 per day. While 33 residential and business places had been occupied without certificates of conformity, although a sum of Rs.1,479,000 should be recovered as charges and fines for that, those amounts had not been recovered even as at the date of end of the year under review.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Suitable action had not been taken to enquire, identify and settle with regard to Bank Deposits valued at Rs.274,729 remaining unrealized during a period between 04 – 15 years, 108 un-identified credit items valued at Rs.622,564 and 39 un-identified debit items valued at Rs.872,031.
- (b) Although written orders or instructions had been given with regard to 23 un-authorized constructions during the year under review in the area of authority of the Sabha, attention had not been made to ascertain whether those orders were implemented. Action had not been taken to recover the charges to be recovered when legalizing the un-authorized constructions as well.

3.2 Operational Inefficiencies

Maintenance of Public Latrine

Maintenance and recovery of charges from users of the Public Latrine belongs to the Sabha in the Manikhinna Town had been assigned to an outside individual without following tender procedure and entering into an agreement. Although charges at the rate of Rs.5 and Rs.10 were being recovered from the users by that party, action had not been taken to recover any revenue to the Sabha from the date of assignment of maintenance of the latrine up to 20 April, 2015 date of audit. A sum of Rs.141,584 had been paid to the Water Supply and Drainage Board for water consumption there during the year under review.

3.3 Idle and Under-utilized Assets

Water Equipment and Electrical Equipment valued at Rs.4,862,120 two vehicles values of which not identified had been kept idle and under-utilized for more than a period of 03 years.

3.4 Contracts Administration

- (a) Assignment of Contracts direct to the Community based Organizations
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Following matters are observed.

- (i) Payments amounting to Rs.11,565,431 had been made out of Sabha Funds having assigned 140 works (including design works) to Community based Organizations without following tender procedure in term of rules 177 and 178 of Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.

(ii) Although the relevant Community based Organization should not involve in more than 03 contracts when awarding contracts to Community based Organizations according to the Public Finance Circulr No. 01/2002 dated 05 January 2012, 81 contracts valued at Rs.32,653,696 had been assigned to the Kundasale Multi Purpose Co-operative Society and a sum of Rs.28,772,680 had been paid during the year 2014.

(b) Funds not Reimbursed

Although payments amounting to Rs.9,458,183 had been made out of Sabha Funds for 18 Works completed during the year under review before reimbursements of funds, a sum of Rs.7,212,217 had not been reimbursed out of that further, even as at 20 May 2015.

(c) Development of S.B.Weerakoon Avenue– Amount Spent

Rs.1,467,035

Following observations re made.

(i) When the concrete road surface estimated to construct using 1:2:4 (19mm) concrete mixture was broken and examined few places, a sub-standard concrete mixture which could be broken with hand easily had been used. While Honey Comb features were seen on two sides of the concrete, in number of places from the beginning to the end of the concrete road surface had been ruptured and cracked. At the physical inspection carried out on 20 April 2015 it was revealed that some of the ruptures were with large openings of about ½ inch.

(ii) Although it had been stated according to payment bills that ABC mixture had been laid in identified places as per estimate, measurements of the places where ABC mixture was laid had not been stated and therefore it could not be confirmed that those were laid.

(d) Construction of Road nearby Community Center - Amount Spent

Rs.689,500

Following observations are made.

(i) When the concrete road surface to be constructed to a thickness of 04 inches was broken in few places and examined it was observed that the thickness was 3 ½ inches while it was observed at the physical inspection carried out on 20 April 2015 that the concrete road surface estimated to construct using 1:2:4 (19mm) concrete mixture had been made with a sub-standard concrete mixture which

could be broken with hand easily. Honey Comb features were seen on two sides of the concrete. While number of places from the beginning to the end of the concrete road surface had been ruptured and cracked. It was observed that some of the ruptures were with large openings of about ½ inch.

- (ii) Although it had been stated according to payment bills that 10 Cubes of ABC mixture had been laid in identified places as per estimate, measurements of the places where ABC mixture was laid had not been stated and therefore it could not be confirmed that those were laid.

4 Accountability and Good Governance

4.1 Procurements Plan

Although capital expenditure amounting to Rs.227,004,399 had been incurred by the Sabha, a Procurement Plan had not been prepared for the year under review.

4.2 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 33 per cent to 82 percent in 03 items of revenue and variations from 20 per cent to 94 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contracts Control
- (e) Assets Management.