

Kandaketiya Pradeshiya Sabha
Badulla District

1 Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2016 had been submitted to Audit on 31 March 2017 while the Financial Statements relating to preceding year had been submitted on 23 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 30 June 2017.

1.2 Qualified Opinion

In my opinion except for the effect on 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 Kandaketiya 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

1.3.1 Accounting Deficiencies

The following deficiencies are observed.

- (a) Security deposit of Rs. 26,000 relating to 17 employees had not been shown in the financial statements.
- (b) Accrual pension benefit of Rs.83,276 had not been accounted for.

1.3.2 Un-reconciled Control Accounts

Creditors of Rs.2,996,724 provided under capital Object had been shown as Rs.5,045,581 in the corresponding schedules.

1.3.3 Accounts Receivable and Payable

According to the financial statements presented, the value of accounts Receivable as at 31 December of the year under review was Rs. 8,589,295 while the value of Accounts Payable had been Rs. 11,511,721.

1.3.4 Lack of Evidence for Audit

Four items of Assets aggregating Rs.71,986,229 could not be satisfactory vouched in audit due to non-rendition of necessary information for audit.

1.3.5 Non-compliance with Laws, Rules and Regulations

Instances of Non-compliance with Laws, Rules and Regulations etc. observed in audit are shown below.

Reference to Laws, Rules, Regulation etc	Non-compliance
(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988	
(i) Rule 5(7)	Internal Audit had not been carried out.
(ii) Rule 218	Board of survey on Lands and Building belong to the Sabha had not been carried out.
(b) Financial Regulations of the Government of the Democratic Socialist Republic of Sri Lanka	
(i) F.R. 371	Advance amounting to Rs. 67,500 granted by the Sabha in 4 instances had not been recovered even as at 31 December 2016.
(ii) F. R. 571	Sixteen lapsed deposits valued at Rs.286,450 as at 31 December 2016 had been disposed.
(c) Section 1.6 and 4 of Chapter XXIV of the Establishments Code of the Democratic Socialist Republic of Sri Lanka	Staff loans recoverable from 03 retired and deceased employees amounting to Rs.5,247 had not been recovered.
(d) Section 10 of the Employees Provident Fund Act No: 15 of 1958 as amended by (amendments) Act No. 01 of 1985	A sum of Rs.53,184 had been paid as surcharges to the Employees Provident Fund for the period December 2001 to 2013 as a result of not paying the contributions on the due date .
(e) Letter of Director General of Management Services No: DMS/C/01/PAHA/15 of 05 March 2008.	Holiday Pay amounting to Rs.44,174 had been paid without the approvals.

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| (f) | National Environmental Act of No 49 of 1980 as amended by Act No 56 of 1988 and Act No 52 of 2000. | Environmental License had not been issued to 33 paddy mills and 09 rubble crushers. |
| (g) | Commissioner of Local Government Circular No: 46/1980 of 31 December 1980. | Monthly rental had been billed based on the valuation conducted in the year 1996. |
| (h) | Sections 20 and 11 of the Circular No 41/90 of 10 October 1990 issued by the Ministry of Public Administration, Provincial Councils and Internal Affairs | Fuel testing in respect of 03 vehicles had not been carried out in the year under review. |

2 **Financial Review**

2.1 **Financial Results**

According to the Financial Statements presented, the excess revenue over recurrent expenditure of the sabha for the year ended 31 December 2016 amounted to Rs.3,715,471 while corresponding excess revenue over recurrent expenditure of the preceding year amounted to Rs.2,633,121.

2.2 **Revenue Administration**

2.2.1 **Performance in Revenue Collection**

Progress in recovery of water revenue which arrears as at 01 January 2016 was at a level of 41 per cent.

2.2.2 **Courts Fines and Stamp Fees**

Court fines and stamp fees amounting to Rs.1,951,528 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2016.

3. **Operating Review**

3.1 **Management Inefficiencies**

- (a) According to Stamp Duty Special Act No 12 of 2006, the collected Stamp Duty valued Rs.18,550 had not been remitted to the Commissioner General of Inland Revenue.

- (b) Contribution to the Employee Provident Fund amounting to Rs.455,839 had been kept in the Deposit Account without being remitted.
- (c) Contribution to the Employees Provident Fund recovered in the year 2008 as per Section 10 of the Employees Provident Fund Act No: 15 of 1958 as amended by Act No. 08 of 1971 amounting to Rs. 455,839 had been kept in the Deposit Account.

3.2 **Operating Inefficiencies**

Only fixed rate of Rs.200 to Rs. 300 had been recovered from 463 water consumers falling under 4 water projects without being affixed the water meters.

3.3 **Transactions of a Contentions Nature**

A Motor Grader No: WP-ZA 5321 valued at Rs. 24,928,616 provided by the Ministry of Provincial Councils and Local Government had not been insured.

3.4 **Idle and Under-utilized Physical Assets**

Three machineries and motor vehicles had been lying in idle for a period ranging from 1½ years to 4 years.

3.5 **Solid Waste Management**

Although the garbage should be categorized and re-cycled, the garbage collected had been released to a land located closed to Kandy Road belonging to the Mahaweli Authority.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

The Budget had not been made use of as an effective control tool in the management of revenue and expenditure of the year under review.

4.2 **Annual Procurement Plan**

An Annual Procurement Plan had not been implemented.

4.3 **Internal Audit**

An internal Audit had not been carried out.

4.4 **Audit and Management Committee**

Audit and Management Committees had not been implemented during the year under review.

5. **Systems and Controls**

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

- (a) Inventory Control
- (b) Control over Fixed Assets
- (c) Accounting
- (d) Revenue Administration