

**Karandeniya Pradeshiya Sabha
Galle District**

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 28 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 08 September 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 Karandeniya Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles..

1.2 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following deficiencies were observed,.

- (a) Lumpsum receipts in arrears amounted to to Rs.1,080,000 had been credited to Capital aid receipt account.
- (b) When Creditors provisions had not been made in financial statements a sum of Rs.265,408 had been paid as stamp fees to Valivitiya Divitura Pradeshiya Sabha..
- (c) Trade tax in arrears of Rs.35,520 as at 31 December 2017 had not been stated in accounts.

1.3.2 Unreconciled Accounts

Variance appeared between balances of 03 account captions totalled at Rs.17,523,034 shown in financial statements and balances sown in related docduments. Accordingly a total variance of Rs.272,697 was observed.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) Action had not been taken to settle the value of 08 receivable account balances being brought forward since 2001 totalling Rs.42,200,919 at the end of the year under review.
- (ii) Action had not been taken even by 31 December 2017 to recover lumpsum money in arrears amounting to Rs.1,746,399 being brought forward over a period of 03 years.

(b) Accounts Payable

Action had not been made to settle loan balance of Rs.12,380,070 as at 31 December of the year under review applicable to the period between 02 to 05 years.

1.3.4 Lack of Written Evidence for Audit

Non Presentation of Information for Aludit

It was not possible to satisfactorily verify at auditing 05 account captions totallled at Rs.221,214,767 due to non presentation of information.

1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value	Non Compliance
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Rs.

(a) Pradeshiya Sabha Act
No.15 of1987

Section134(1) & (2)

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Although it was possible to consolidate the Sabha Fund by charging rates and taxes following declaration of developed areas as assessment zone neither such

survey had been conducted nor identify new Assessment Units

(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka

FR 396(d)	319,691	Action had not been taken in respect of 11 cheques issued from General Account and Industrial Account of the Sabha and not submitted for payment.
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(c) Public Administration Circular No.30/2016 dated 29 Dec. 2016	-	No fuel burning test had been carried out on any of the vehicles of the Sabha.
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2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.20,201,662 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.18,252,258

2.2 Financial Control

Although average monthly balance of the General Account of the Sabha amounted to Rs.3,211,220, action had not been taken to earn an additional income by investing those additional funds.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows;

Source of Revenue	Estimated Revenue	<u>2017</u>			Total in arrears as at 31 Dec.	<u>2016</u>			Total in arrears as at 31 Dec.
		Billed Revenue	Collected Revenue			Billed Revenue	Collected Revenue		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Rates & Taxes	720,000	776,553	592,363	3,26,121	2,528,041	782,026	234,756	3,079,874	
Lease Rent	8,145,400	3,878,200	2,781,042	6,977,650	6,349,800	3,924,220	2,558,418	5,948,839	
Licence fee	300,000	235,986	235,986	123,350	300,000	338,080	338,080	123,350	
Other Revenue	2,411,000	25,354,955	10,527,128	48,912,095	12,961,000	20,319,120	13,817,114	30,811,380	
	11,576,400	30,245,694	14,136,519	59,299,216	22,138,841	25,363,446	16,948,368	39,963,443	

2.3.2 Performance in Revenue Collection

Estimated Revenue of the year under review was Rs.11,576,400 while billed revenue amounted to Rs.30,245,694. The collected revenue during the year was Rs.14,136,519 leading to revenue in arrears of Rs.59,299,216.

2.3.3 Rates and Taxes

With the billed revenue for the year under review plus opening balance in arrears of the year, total recoverable revenue amounted to Rs.3,856,427 of which collected revenue had been Rs.592,363 leading to a year end balance in arrears of Rs.3,286,121.

2.3.4 Lease Rent

Of the total lease rent of Rs.9,827,039 recoverable for the year under review and preceding years, recovered revenue amounted to Rs.2,781,042 or 28%. Due to this reason arrears of revenue at the end of the year had been increased upto Rs.6,977,650. However action had not been taken to recover arrears in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987.

2.3.5 Licence Fees

Billed revenue of the year under review had been Rs.235,986. Although the same amount had been recovered, nothing has been recovered from the balance in arrears which amounted to Rs.123,350.

2.3.6 Court Fines and Stamp Fees

Court fines of Rs.4,496,584 and stamp fees of Rs.42,645,986 had to be recovered as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

(a) Action Plan

Annual action plan had not prepared in respect of activities to be performed by the Sabha in terms of by-laws enacted.

(b) Solid Waste Management

In view of public protests, compost project implemented in Uragasmanhandiya had to be abandoned after 15 April 2015, following which machinery and equipment utilized for compost production remained idle.

Waste collected within the area of authority had been temporarily dumping onto a land owned by the Land Reform Commission which had been obtained by a private company on 99 year lease. A monthly payment of Rs.5000/- had been made to that company.

Although guidelines and instructions had to be continuously followed as per Circular No.PL/1/5/12 of the Ministry of Provincial Councils & Local Government on waste classification, waste disposal and waste recycling, the Pradeshiya Sabha did not have such a long term arrangement.

(c) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

3.2 Management Inefficiencies

The following observations were made.

- (a) Due to non entering into a n agreement with the Ceylon Electricity Board and its inability to number and maintain a register on electric poles as per Circular No.PE/01/01 dated 17 August 2010 of the Ministry of Power and Energy on street lighting within the area of authority, fund receivable to the Sabha had not been reimbursed.
- (b) In terms of the Circular No.දළපා/පළාතො/2010/02 dated 27 December 2010 of the Local Government Commissioner with regard to 11 stalls owned by the Head Office and Sub Office, new lease agreements had not been signed and lease agreements on 36 stalls had been expired.
- (c) Action had not been taken to recover a lease rent balance in arrears amounting to Rs.6,047,740 from 204 stalls within the area of authority as at 31 December 2017 as per provisions of the Pradeshiya Sabha Act No.15 of 1987.

3.3 Human Resources Management

There were 05 excess posts in the primary segment and no action had been taken to regularize them.

3.4 Assets Management

3.4.1 Idle and Under Utilized Assets

The following observations were made.

- (a) 2 tractors, a vibrating roller and a tractor trailer owned by Karandeniya Pradeshiya Sabha had been remained idle over a period of one year.
- (b) Although it had been proposed to dispose of tractor trailer and a water bowser with no registration, they had been parked idle over a number of years without disposing of them.

3.5 NON-ECONOMICAL TRANSACTION

An agreement had been signed by the Karandeniya Pradeshiya on 17 December 1999 to obtain a loan of Rs.1,000,000 from the National Housing Development Authority. As constructions were not undertaken in accordance with the agreement, the loan was reduced to Rs.570,000 Therefore, the amount due for repayment plus 12% interest as at 14 May 2018 being date of audit had been Rs.697,224. Any activity undertaken utilizing

this money had not been submitted for audit and all documents relating to this had been destroyed during flood in 2010.

3.6 PROCUREMENT

3.6.1 CONTRACT ADMINISTRATION

The following observations were made.

- (a) A sum of Rs.665,339 had been spent on the preparation of 930 sq.m. stretch of the road utilizing approved soil and Rolling which being one of the work items of the Anganaketiya Cross Road Development project implemented under 1000 kms of road development in rural areas. Before exceeding 06 month after completion of the project, soil on the road had been washed away causing ditch-type damages to surface of the road.
- (b) A sum of Rs.499,276 had been paid for development of Anganaketiya Cross Road II utilizing criteria based grants under local government road development project and before exceeding 06 months with meterlocks being loosend.
- (c) A sum of Rs.449,531 had been paid for development of “Pasal Kanda” Road, Eskinwatta laying interlocks through criteria based grants under Local Government Road Development Project. However 10m stretch in the middle of the road slipped underground loosening interlocks.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism

- (a) Approved limits of expenditure in respect of 02 expenditure captions had been exceeded,value of which ranged between 17 percent to 108 percent.
- (b) Savings were available in respect of 05 expenditure captions, value of which ranged between 22 percento to 61 percent.

4.2 Internal Auditing

Although an Internal Auditor had been appointed as per Circular No. දළභා/යහ/01/නා.ව.ලේ dated 24 February 2014 issued by Local Government Commissioner, Southern Province, sufficient internal auditing had not been performed.

4.3 **Audit and Management Committees**

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009 (1) dated 09 June 2009.

5. **System and Control**

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

<u>System</u>	<u>Defect</u>
(a) Accounting and document keeping	(i) Action had not been taken either to make required adjustment and to settle account balances
	(ii) Variance existed between balances of Financial Statements and balances of related schedules.
	(iii) Certain registers had not been maintained.
(b) Fixed Assets	(i) Formal Fixed Assets Register had not been maintained.
	(ii) Seperate Register had not been maintained on computers
(c) Vehicle Control	(i) Formal Vehicle Register not maintained
	(ii) Certain vehicle were remained idle without utilizing, for any useful purposes.
(d) Collection of Revenue	(i) Formal arrangement had not been implemented to recover revelnue in arrears.
	(ii) Time Analysis on revenue in arrears has not been prepared.
	(iii) Assessment had not been made once in 05 years to increase revenue collection.

