

Kandakatiya Pradeshiya Sabha
Badulla District

1. Financial Statements

1.1. Presentation of Financial Statements.

The Financial Statements for the year 2017 had been submitted for audit on 29 March 2018 and the Auditor General's report had been sent to the Chairman on 30 August 2018.

1.2. Qualified 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 Kandakatiya 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 Statement

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed in Audit.

- a) Receivable Fixed deposit interest amounting Rs. 86,250 had not been accounted relating to the Fixed deposits amounting to Rs.1,500,000 deposited in 30 June in the year under review in Kandakatiya Peoples Bank. As a result, income had been shown less by that amount.
- b) The value of discounts received relating to purchase of library books amounting Rs.104,006 had not been accounted as such the values of Current Assets and Revenue Contribution to Capital Outlay had been understated by that amount.
- c) Provision for creditors had not been made for purchase of speakers in the year under review for the auditorium amounting Rs.79,400
- d) Court Fines received related to year 2015 amounting to Rs.361,240 in the year under review had been accounted as an income in the year under review as such the surplus had been overstated by that amount.
- e) Arrears Stamp Fees as at 31 December of the year under review amounted to Rs.589,781 but it was accounted as Rs.387,130 thus the current assets were understated by Rs.202,650.

- f) Environmental Protection Permit fees amounting to Rs.63,874 received for preceding year were accounted as income in the year under review thus the excess had been overstated by that amount.

1.3.2 Unreconciled Accounts

A difference of Rs.6,794,367 was shown in the balances of the year under review and when coming forward to the preceding year of the Accumulated Funds Revenue Contributions to Capital Outlay Account of the Financial Statements.

1.3.3 Accounts Receivable and Payable

a) Accounts Receivable and Payable

As at 31 December of the year under review, Accounts Payable balances amounting to Rs.7,208,488 includes income of projects receivable from corresponding institutions amounts to Rs.6,833,945, other income amounting to Rs.10,350 over three years due of water bills amounting to Rs.296,694 and advance to recoverable within a year amounting to Rs.67,499 and had not been recovered at the end of the year under review.

b) Accounts Payable

As at 31 December of the year, Accounts Payable balances amounting to Rs. 10,732,346 includes Miscellaneous Expenditure Creditors due from one-year amounting to Rs. 3,644,384, Works Creditors amounting to Rs. 5,971,406, and amounting to Rs.1,116,556 coming from 7 years had not been paid even by the year under review.

1.3.4 Lack of Evidence for Audit

Due to the lack of evidence for audit, Land, Building and Creditors amounting to Rs.16,636,205 could not be satisfactorily vouched or verified in audit.

1.3.5 Non-compliance

Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

Reference to The Laws, Rules, Regulations and Management Decisions -----	Value ----- Rs.	Non-compliance -----
a. Section 158, 159 of 1987 Pradeshiya Sabha Act No. 15	298,599	Outstanding amounts of income of the preceding and the year under review had not been recovered.
b. No.1533/16 Gazette of Democratic Socialist Republic of Sri Lanka dated 25 January 2008 and National Environmental Act No 47 of 1980 amended by Act No 56 of 1988 and Act No 53 of 2000	120,000	The Environmental Permit Income for 305 business were not collected in the year under review.
c. 1988 Pradeshiya Sabha (Financial and Administration)Rule 218		A report for the analysis of Land and Building belongs to the Council had not been taken.
d. Section 1.6 Paragraph xxiv Establishment Code of the Democratic Socialist Republic of Sri Lanka.	5,249	Staff Loans from 14 to 20 years had not been collected by transferred three employees of the Council.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, surplus over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.3,542,705 as compared to the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.3,715,471.

2.2 Revenue Administration

2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears Income

The details about the Estimated Income, Billed Income, Collected Income and Arrears Income for the year under review and the preceding year is stated below.

Income Source	2017				2016			
	Estimsted Income	Billed Income	Collected Income	Arrears as at 31 December	Estimsted Incom	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rent	2,459,112	2,459,112	2,061,632	397,480	2,074,645	2,074,645	1,465,267	609,378
(ii) permit cost	648,000	648,000	648,000	--	540,000	540,000	540,000	--
(iii) other income	47,001,220	47,001,220	38,214,598	8,786,622	38,049,180	38,049,180	30,557,140	7,492,040
total	50,108,332	50,108,332	40,924,230	9,184,102	40,663,825	40,663,825	35,562,407	8,101,418

2.2.2 Performance of Revenue Collection

The Billed income at 31 December 2017 had been Rs. 50 million while the Collected Income amounted to Rs. 40 million Yet an income of Rs. 9.1 million had been collected at the end of the year and in comparison with the preceding year there was a deterioration of collected arrears income by 13 percent.

2.2.3 Court Fines and Stamp Duties

The Court Fines and Stamp Duties to be taken from the chief Secretary of the Council and other authorities at 31 December 2017 amounts to Rs.1,659,943 and Rs.387,130 respectively.

03. Operational Review

3.1 Performance

Facts revealed after the analysis of the execution of tasks by the Pradeshiya Sabha in accordance with the section 3 of Pradeshiya Sabha Act such as Regulation of Health of the general public, common utility services and public road facilities and maintenance of people's prosperity, comfort and development is given below.

a. By-Laws

Although By-Laws should be enacted for 30 main issues as according to Section 126 of the Pradeshiya Sabha Act 1987, such By-Laws were not enacted for 10 issues as at 31 December 2017

b. Action Plan

An action plan for the tasks to be performed by the Council had not been prepared.

c. Solid Waste Management

Although waste should be recycled as stated in the National Environment Act No.47 of 1980, Act No 56 of 1988 (amended) and amended Act No 53 of 2000 and the Gazette No. 1534/18 dated 02 February 2008, such had not been done.

d. Sustainable Development Goals

Due to the Council not being aware of 2030 Agenda of the Purposes of Sustainable Development, the global view of such purposes to enhance the living standards and health of the people living in the Council Territory had not been initiated and long term plan to uplift the living standards of the people living in the area had not been prepared up to 14 May 2018.

3.2 Management Inefficiencies

A motor garage valued at Rs.24,928,666 donated by the Ministry of Provincial Council and Local Authority in 27 July 2015 had been lying idle due to vacant of drivers up to 20 February 2018.

3.3 Human Resource Management

Approved cadre for the Pradeshiya Saba is 41 while the Actual Cadre at 31 December 2017 is 34. 07 posts were left vacant for a long time.

3.4 Operational Inefficiencies

Although Land and Building of cemeteries belonging to the Council should be measured and taken over, cemeteries land of 40 acres had not been resolved.

3.5 Asset Management

3.5.1 Idle Assets

Although steps should be taken to dispose vehicles that cannot be used, action or remove a Double Cab and a Land Master lying idle for an approximately 5 years having a book value of Rs. 1,620,000.

3.6 Procurement

3.6.1 Procurement Plan

A Procurement Plan for the year under review had not been prepared by the Council.

04. Accountability and Good Governance

4.1 Budgetary Control

When comparing the budgeted Income and Expenditure and Actual Income and Expenditure there were considerable variance thus the budget had not been using as a management tool of the Pradeshiya Sabha. Details are shown below.

- a. When comparing Actual and Budgeted income of 06 items, there had been variations of 3 percent to 108percent.
- b. When comparing Actual and Budgeted expenditure of 07 items, there had been a variation of 4 percent to 93 per cent.

5. System and Control

Weaknesses observed in audit had been informed to the Council and special attention is needed in the following areas of control.

System -----	Weaknesses -----
a. Accounting	<ul style="list-style-type: none">i. Time analysis of General deposits had not been prepared.ii. Fixed deposits were not accounted properly.iii. Receivable income was not calculated properly.
b. Income Administration	<ul style="list-style-type: none">i. Some income sources had not been identified correctly.ii. Income Registers were not completed properly.
c. Projects/ contracts	Advance payment was not charged.