

Ganga Ihala Korale Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to the audit on 28 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 30 July 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 Ganga Ihala Korale 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 Statements

1.3.1 Accounting Deficiencies

- (a) Values of 11 Community Centers, 15 Cemeteries and 06 land lots had not been identified and accounted, and as well as had not been recorded in the fixed assets register.

- (b) A sum of Rs. 20,700 spent to repair 02 Garbage Carts and a Tractor procured during the year under review for Rs.79,070 had been accounted under machines and equipment.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 11 Accounts Receivable balances as at 31 December 2017 was Rs. 17,750,996, and a balance over 05 years was aggregating Rs.739,078. Arrears account balances for over 01 to 05 years period was aggregating Rs. 1,222,019, and a balance of Rs. 12,926,494 was further been receivable as at 30 June 2018.

(b) Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2017 was Rs. 11,571,051, and a balance over 05 years was aggregating Rs.82,142. Account balances for over 01 to 05 years period was aggregating Rs.1,583,905, and a balance of Rs. 4,614,788 was further been payable as at 30 June 2018.

1.3.3 Lack of Documentary Evidence for Audit

Two accounts items aggregating Rs. 80,455,811 could not be satisfactorily verified in audit due to non-presenting relevant information.

1.3.4 Non-compliance

Instances of non-compliance with laws, rules and regulations were shown below.

Reference to laws, rules and regulations	Amount	Non-compliance
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	Rs.	
(a) Rule 218 of Pradeshiya Sabha (Finance and Administrative) of 1988	89,602,563	Annual survey had not been conducted with relating to the land and building belonging to Sabha.
(b) Financial Regulations 571 (3) of Democratic Socialist Republic of Sri Lanka	747,478	Forty two instances from the year 2012 to year 2016 with relating to contract retention, donation and time lapsed cheques had been kept in the deposit account.

2. Financial Review

2.1 Financial Results

According to the Amended Financial Statements presented, revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.10,821,559 as compared with the corresponding revenue over recurrent expenditure for the preceding year amounted to Rs. 13,977,226.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below.

Revenue Source	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	1,936,000	2,046,294	2,041,893	1,422,056	1,603,210	1,685,717	2,093,186	1,417,153
(ii) Rent	4,623,000	4,362,359	4,404,259	882,364	3,879,556	4,416,050	4,351,572	924,525
(iii) License Fees	1,220,200	990,800	1,007,300	36,000	1,252,900	980,400	948,900	52,500
(iv) Other Revenue	20,044,500	14,118,358	13,018,502	9,151,964	16,062,950	14,655,291	22,457,757	2,606,302
Total	27,823,700	21,517,811	20,471,954	11,492,384	22,798,616	21,737,458	29,851,415	5,000,480

2.2.2 Performance in Revenue Collection

The increase in arrears revenue was 130 per cent due to arrears as at 31 December 2016 from all sources of income was Rs. 5,000,480 and those arrears was Rs.11,492,384 as at the end of the year under review.

2.2.3 Rates and Tax

(a) Rates

- (i) Action had not been taken to recover rates of Rs. 201,745 receivable from Government Institutions from many years. A sum of Rs. 169,286 had further been receivable as at 30 June 2018.
- (ii) While arrears rates balance was Rs.1,181,113 as at 01 January 2017, billing up to 31 December 2017 was Rs.2,077,843. The recoveries from the arrears and billing as at 31 December 2017 was only Rs.380,716 and Rs. 527,597 respectively. This was 32 per cent and 59 per cent and a sum of Rs.1,169,530 was remained as arrears balance as at 31 December 2017. A sum of Rs. 987,139 had further been receivable as at 30 June 2018.
- (iii) However arrears rate balance as at 31 December 2017 had included the un recovery balance over 10 years, actions had not been taken to recover or to find out reasons of receivables rates of Rs.389,022 carrying forward billing from year by year in 67 rates units.

(b) Water Charges

While arrears water charges balance was Rs.169,757 as at 01 January 2017, out of them the recoveries as at 31 December 2017 was Rs.49,200. This was 30 per cent. Accordingly the recovery of arrears water charges was in a poor level.

2.2.4 Rent

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- (a) While arrears shop rent balance was Rs.924,264 as at 01 January 2017, out of them the recoveries as at 31 December 2017 was Rs.327,147. This was 35 per cent. Accordingly the recovery of arrears shop rent was in a poor level.
- (b) Actions had not been taken to recover the shop rent of Rs. 52,700 from the owner of the shop No. 14 at Ethgala Market Complex from over one year.

2.2.5 Other Revenue

While arrears balance of Three wheeler charges amounting Rs.148,500 as at 01 January 2017, billing up to 31 December 2017 was Rs.381,600. The recoveries as at 31 December 2017 was Rs.30,900 and Rs. 145,200 respectively. This was 21 per cent and 38 per cent. A sum of Rs.354,000 was remained as arrears balance as at 31 December 2017 and a sum of Rs. 211,200 had further been receivable as at 30 June 2018.

2.2.6 Court Fines and Stamp Fees

Court fine of Rs.352,163 and stamp duties of Rs.8,445,001 were receivable from the Chief Secretary of the Provincial Council and other related authorities as at 31 December 2017. Court fine of Rs.14,333 and the entire arrears amount of stamp duty had further been receivable as at 30 June 2018.

3. Operating Review

3.1 Performance

Matters reveled with regarding the activities such as streamlining and controlling matters relating to public health, common utility services and public roads; feather bedding, convenience and welfare which should be admired by the Sabha under Section 03 of Pradeshiya Sabha Act were shown below.

(a) Delay in Commencing Activities

The development proposals expected to be implemented from the Sabha fund in the year under review had been identified on dates 24 and 29 March, 02 April and 09 May 2017 and 38 development proposals valued at Rs. 6,970,000 had been presented to the Commissioner of Local Government for approval, and had been approved on dates 30 June and 11 July 2017. Accordingly the possibility of implementing provincial development properly had been deviated due to the reasons such as failure in identifying the development proposals during the prior year, which was expected to be implemented by the Sabha; spending more than 03 months to approve them etc. Therefore 07 approved development proposals had not been implemented even as at 31 December 2017.

(b) Solid waste Management

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- (i) About 02 tons of un separated daily collected garbage in the area of the authority of the Sabha had been dumped into a private land in Ulapane and spread soil onto it without managing waste through methods such as manufacturing compost, secured burning or reuse.
 - (ii) An environment protection license had not been obtained for the garbage dumping yard.

(c) Non spending of Provision for Planned Activities

The entire allocations of Rs. 145,000 provided for 05 expenditure votes in the year under review to implement objectives under section 78 (1) of Pradeshiya Sabha Act No. 15 of 1987 had been saved without implementing the plan activities. Further it was observed that the spending of the provision of Rs.190,000 allocated for 04 expenditure votes had been in lower level from 9.9 per cent to 63.3 per cent.

(d) Sustainable Development Goals

Long term plans had not been prepared even as at 31 December 2017 to improve wellbeing and health of people in the area of the authority of the Sabha through the global indexes for those objectives, due to unawareness of the Sabha with regarding the sustainable development objectives in the agenda for the year 2030.

3.2 Management Inefficiencies

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- (a) Compensation amount of Rs. 565,000 and a sum of Rs. 454,220 as lawyer fees and other expenditure had been spent from Sabha fund as per the judgment of the Court case filed by the owner of a building constructed by an outside party comply with building plan approved by Pradeshiya Sabha on 18 November 2003, due to demolishing the building on 21 June 2008 with the negligence and over reacting the power by a group including Chairman of the Sabha by stating as unauthorized. According to the F.R. 104 (4) examination carried in this regard, though it was approved to recover a sum of Rs. 1,274,025 including the loss incurred to Sabha fund and Departmental charges from two former Chairmen, a former Secretary and an Income Inspector; actions had not been taken to recover the relevant loss.
 - (b) The approval of Pradshiya Sabha had been given for road excavation to lay water pipes for water consumer by charging a sum of Rs. 2,100 on 10 October 2012. However the judgment had been given to re approved the road excavation for pipe water supplying in accordance with the case filed by the relevant water consumer against the Sabha due to cancelling the approval later on 04 December 2012 with the negligence and over reacting the power by the Sabha. According to the F.R. 104 examination carried out with relating the money spent in this regard, though it was approved to recover the loss

of Rs.112,500 including legal charges spent from Sabha fund and Departmental charges from former Chairman and 10 former members.

- (c) Actions had not been taken to recover the shortage of 179 Galvanize pipes valued at Rs.198,180 occurred in the year 2015, from related parties and to conduct a disciplinary inquiry.

3.3 Human Resources Management

- (a) Vacancies in 16 posts were available as compared with approved and actual cadre as at 31 December 2017.
- (b) Duties were assigned for two Development Officers in many field duties and another 07 Development Officers with field work in 02 days per week other than duties of the subject. The field work of 09 Development Officers performed throughout the year could not be clearly identified due to mentioning that collecting of general information in job description of advance program as well as in work done sheets. Further, though the supervision activities of them were given to another development officer; the way of the supervision performed could not be identified.

3.4 Operational Inefficiencies

- (a) According to section 21 of Urban Development Authority Act No. 41 of 1978, though approvals had been granted for 333 applications out of 536 building applications received for approval of plans during the year from 2014 to 2017, conformity certificates had only been issued for 24 applications.
- (b) Shop No. 29 in Kuruduwatta Market Complex had been given to an outside party on monthly rent of Rs.3,500 in verbally without an agreement.
- (c) Shop No.13 in Ethgala Market Complex established in the year 2010 had been closed even as at 31 December 2017 due to inability to give on rent, and 07 shops had been given on lease to outside parties without entering into agreements.
- (d) According to the paragraph 06 of agreements entered with relating to Ethgala Market Complex; though the assessment should be made subject to an increasing of rent once in 05 years, actions had not been taken to revise the rent even as at 31 December 2017 from 05 shops given in the years 2010, 2011 and 2012.
- (e) Though new rates assessment should be conducted at least once in 05 years, rates had been collected even for the year 2017 based on the rates assessment of the year 2007 even it was lapsed 09 years.
- (f) Though 3107 units had been identified as developed areas which rates could be charged on the decision of Annual General Meeting on 27 September 2011, rates collecting procedure had not been prepared for those properties.

- (g) It was entered into agreements by mentioning “Long Term” without notifying exact period of agreement after tendering 34 shops at Kuruduwatta Market Complex in the year 2008. According to the paragraph 06 of that agreement, though the assessment should be made subject to an increasing of rent once in 03 years, actions had not been taken to revise the rent even as at 31 December 2017.

3.5 **Assets Management**

Idle / Under-utilized Assets

A Concrete Mixture, 02 Motor Cycles valued aggregating Rs. 357,990 and 01 vehicle which the value could not be identified, had been kept idle and under-utilized over 03 years.

3.6 **Identified Losses**

One hundred six units of concrete boundary stones, Hume pipes collars and 32 nos. of 50 Watts CFL bulbs valued at Rs.112,420 procured in the years 2014, 2015 and 2016 had been remained in unusable condition.

3.7 **Procurement**

Procurement Plan

Though capital expenditure of Rs. 19,570,638 had been incurred by the Sabha, a procurement plan had not been prepared for the year under review

4. **Accountability and Good Governance**

Budgetary Control

According to the budget prepared for the year under review, it was observed that the budget had not been made use of as an effective tool of management as there were variations from 15 per cent to 31 per cent in 03 items of revenue and variations from 20 per cent to 89 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. **Systems and Controls**

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time and special attention is needed in respect of the following areas of control.

System -----	Deficiencies -----
(a) Revenue Administration	i. Failure in collection of arrears revenue. ii. Failure in revising and recovering of shop rents.
(b) Assets Management	i. Lease out shops without agreements. ii. Failure in conducting land surveys. iii. Failure in taking lands to accounts.
(c) Sundry Deposits	i. Holding contract retentions for long period. ii. Non taking actions to follow refundable deposits.
(d) Solid Waste Management	i. Collecting of un separated garbage. ii. Failure in concentrating on manufacturing of compost fertilizer. iii. Improper dumping of garbage.