

Kotmale Pradeshiya Sabha

NuwaraEliya District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been submitted to Audit on 28 March 2018 and the Auditor General's Report relating to those Financial Statements was sent to the Chairman on 31 August 2018.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Kothmale 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) Since the value of Laminator Machine which was not available in the Sabha as at 31 December of the year under review had been shown as Rs.94,900 in the financial statements, Plant and Machinery had been overstated by that amount.
- (b) The Public Address System worth Rs.30,000 belonging to the Sabha as at 31 December of the year under review had not been shown in the financial statements.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

The total value of 02receivable accounts balances which had elapsed a period of one year as at 31 December of the year under review totalled Rs.5,054,334.

(b) Accounts Payable

The payable Industrial Creditors balance which had elapsed a period of one year as at 31 December of the year under review amounted to Rs.4,717,714.

1.3.3 Lack of Documentary Evidence for Audit

Since the Title Deeds had not been furnished to Audit, lands and buildings totaling Rs.52,808,348 could not be satisfactorily vouched in Audit.

1.3.4 Non-compliance

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

In terms of Circular No.1988/22 dated 17 May 1988 of the Commissioner of Local Government, assessment of properties for the recovery of Rates should be carried out at least once in 05 years. Nevertheless, properties of the area of authority of Kothmale Pradeshiya Sabha had been assessed last in the year 2011.

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 of the year under review amounted to Rs. 17,290,001 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 24,420,600.

2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below. Nevertheless, it was observed that there were differences when comparing this information with the information stated in the financial statements.

Source of Revenue	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.
Rates and Taxes	4,142,000	4,468,779	4,038,161	2,144,546	4,075,000	3,638,260	3,183,437	1,274,432
Rents	3,990,000	3,582,536	5,450,203	196,775	3,727,300	3,806,879	3,632,584	142,345
Licence Fees	6,940,000	5,523,998	5,523,998	-	7,132,000	5,294,786	5,294,786	-
Other Revenue	11,800,000	3,592,926	6,573,310	1,860,153	12,565,700	11,345,774	10,217,484	4,911,930

2.2.2 Performance in Revenue Collection

(a) Rates and Taxes

The outstanding rates and tax revenue as at 31 December of the year under review amounted to Rs.1,555,241 and out of that, a sum of Rs.798,505 had remained outstanding for over a period of one year.

(b) Rents

Rents that remained outstanding as at 31 December of the year under review amounted to Rs.196,775.

(c) Water Charges

Water charges that remained outstanding as at 31 December of the year under review amounted to Rs.589,305.

(d) Other Revenue

The other revenue that remained unrecovered as at 31 December of the year under review amounted to Rs.3,119,747.

3. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) Uninitiated Activities

Although water pipes had been purchased by spending Rs.1,879,315 and Rs.1,083,915 respectively for the Randagalbada and Sheen water schemes expected to be implemented by the Sabha, relevant water schemes had not been initiated.

(b) Solid Waste Management

It was observed that garbage had been dumped in the open area at the Kosgahapathana and Hapugasthalawa garbage disposal areas within the area of authority of the PradeshiyaSabh, and mixed garbage including polythene had not been properly disposed of in those areas.

(c) Sustainable Development Goals

The Sabha was sufficiently conversant with the sustainable development goals and targets and agreements worth Rs.2,287,140 had been entered into in the year 2017 for the implementation of projects relating to that purpose. Hereunder, public lavatories had been constructed at Thawalathenna and Harangala areas for the improvement of sanitary facilities.

3.2 Management Inefficiencies

- (a) As there was no adequate sanitary facilities for the visitors of the Ramboda Waterfalls, two Septic Tanks had been purchased at a cost of Rs.55,000 on 12 October 2017 for providing lavatory facilities. Nevertheless, those tanks had not been installed in the relevant place.
- (b) Although there were 96 unauthorized constructions identified from the year 2013 up to the year under review, no suitable action whatsoever had been taken thereon.

3.3 Assets Management

3.3.1 Protection, Maintenance and Repairs of Assets

Two sub-offices and two libraries owned by the Sabha had not been properly maintained and required repairs had not been carried out. Further, it was observed in audit that certain sub-offices remained in insecure position.

3.3.2 Idle Assets

- (a) Three hundred and thirty roofing sheets worth Rs.478,500 purchased under the Provincial Council Members grants in the year 2016 had not been distributed among the relevant beneficiaries and those had been stored in the Stores.
- (b) Although a period of 07 years had elapsed after removal of an ambulance and a motorcycle of the Sabha from running, action had not been taken to repair and use such vehicles or dispose of them.
- (c) In the development of Bogahawatta-Kalpitiya road, 51 water pipes with 4 inches in diameter in various lengths and used for an old water scheme of the Sabha had been removed and those had been heaped up at the premises of the Government quarters without being used for any purpose.

4. Accountability and Good Governance

4.1 Budgetary Control

According to the budget prepared for the year under review, variances ranging from 11 per cent to 357 per cent relating to 08 Items of Expenditure were observed in comparing the estimated expenditure and the actual expenditure, thus indicating that the budget had not been made use of as an effective instrument of control.

5. Systems and Controls

Deficiencies observed at the audit test check were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of systems and controls.

System	Deficiency
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Accounting	Failure to maintain accounts books and registers in an updated manner.
Assets/Properties	Failure to carry out documenting and ensure safety
Stocks	Retaining of stocks without issuing
Contracts	Making payments exceeding the prescribed limits.