

Kahawaththa Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 27 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha on 18 July 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 Kahawaththa Pradeshiya Sabha as at 31 December 2017 and its financial performance and cash flows 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 matters were observed.

- (a) Sums totalling Rs.89,788 received as administrative expenses relating to 05 works implemented on decentralized provisions had been brought to account as capital receipts. As such the operating revenue had been understated by similar amount.

- (b) The administrative expenses receivable from the line Ministry, Sabaragamuwa Provincial Council and the Divisional Secretariat, Kahawaththa relating to the year under review totalling Rs.204,393 had not been brought to account

- (c) Assets purchased during the year under review totalling Rs.283,061 had not been capitalized.

1.3.2 Lack of written Evidence for audit

Five items of accounts totalling Rs.97,435,042 could not be satisfactorily verified in audit due to non – sub mission of required information to audit.

1.3.3 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
	Rs.	
(a) 1988 Pradeshiya Sabha (Financial and Administrative Rules)		
Rule 204	-	Action had not been taken as per the recommendations of the Boards of Survey relating to the parts of the stage pointed out as shortages in the Reports of the Boards of Survey.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 104 and 105	115,443	Action had not been taken on a loss which had not been reimbursed by the insurance coverage relating to a vehicle accident caused in the preceding year.
(ii) Financial Regulation 110		A Register of Losses and Damage had not been maintained by the Sabha.
(iii) Financial Regulation 371	153,142	The advances granted during the period from the year 2016 to 2017 had not been settled.
(c) Public Administration Circular No.30/2016 dated 29 December 2016		
	-	Fuel consumption test of 08 motor vehicles of the Sabha had not been carried out.

- (d) Circular of the Chief Secretary 697,315 The goods had been purchased of the Sabaragamuwa Provincial Council No.02/2017 dated 08 February 2017 in 04 instances during the year under review only from the suppliers who had not registered in the Provincial Council and the Pradeshiya Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 6,817,312 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,927,310.

2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

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	3,371,486	3,480,614	4,095,870	1,633,246	3,258,263	3,413,341	4,304,651	2,273,844
Lease rant	8,003,826	5,552,976	5,521,526	686,519	6,978,800	4,506,216	4,518,517	599,969
Licence fees	475,130	919,367	925,867	-	314,000	321,603	327,723	-
Other revenue	8,853,754	9,621,437	5,569,757	15,071,950	8,704,500	8,878,606	4,819,699	11,372,454

2.2.2 Performance in Collection of Revenue

A comparison of the estimated revenue of the year under review with the revenue collected showed an increase in the revenue collected with regard to the revenue items such as rates and taxes, licence fees and warrant charges and fines by 21 per cent, 95 per cent and 10 per cent respectively and the revenue collected from the revenue items of lease rent, service charges, other revenue and contributions made by the Government had decreased by 31 per cent, 17 per cent, 86 per cent and 59 per cent respectively.

2.2.3 Rates and Taxes

(a) Rates

The arrears of rates receivable as at 31 December 2017 amounted to Rs.1,468,697 and it included arrears totalling Rs.529,635 relating to 101 units of rates remained brought forward for over a period of 05 years. The action of the Sabha for recovery of those arrears of rates had been at a weak level.

(b) Acreage Tax

The Sabha had failed to recover arrears of acreage tax totalling Rs.128,111 recoverable as at 31 December 2017.

2.2.4 Licence Fees

The following matters were observed.

- (a) Five industries which should be renewed the Licences in accordance with the National Environment Act No.47 of 1980 as amended by the Acts No.56 of 1988 and No.53 of 2000 and the regulations imposed thereto had not renewed the licences in the year under review. As such a sum of Rs.20,000 had been deprived by the Sabha while a periodic evaluation on the environmental effect occurred in maintaining those industries had not been carried out.
- (b) Even though, 19 business units identified in the survey carried out during the year under review had not obtained the environment licences, the Sabha had not taken action thereon.

2.2.5 Court Fines and Stamp Fees

The following matters were observed.

- (a) The Sabha had failed to recover the court fines revenue amounting to Rs.4,857,250 receivable for the year under review.
- (b) The Sabha had failed to recover arrears of stamp fees amounting to Rs.263,150 receivable for the period from the year 2014 to 2016 while stamp fees revenue receivable for the year under review had not been identified.

3. Operating Review

3.1 Performance

The matters revealed on the execution of activities to be carried out by the Sabha such as regularize and control over the matters on public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) Action plan

A proper action plan for the year under review had not been prepared by the Sabha.

(b) Solid Waste Management

The following matters were observed.

- (i) The land in extent about 03 acres on which disposing of waste by the Sabha had not been transferred to the Sabha even by the end of the year under review.
- (ii) Bio degradable waste collected by the Sabha has been disposed to dug pits but, Sabha had failed to plan and implement a proper waste management process.

(c) Sustainable Development Goals

As the Sabha had not aware of the 2030 Agenda of the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Assets Management

Failure to ensure the Security of Assets

The following matters were observed.

- (a) A cab vehicle and a trailer removed from use from the year 2015 and recommended to be auctioned had been parked in the Sabha premises insecurely even by May 2018.
- (b) The Double Drum Vibrator Roller which recommended by the Depot Engineer, Godakawela as that, can be utilized for a long period after being repaired properly valued at Rs.1,300,000 had been parked in the Sabha premises without being done any repair since the year 2013.
- (c) A tractor which met with an accident in December 2011 and had been referred for repairs had been parked in the garage insecurely without being repaired even by May 2018.

3.3 Procurements

Procurement plan

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

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) A sum of Rs.23,536 had been incurred exceeding the net provision of Rs.82,078 made for one Object.
- (b) The entire provisions totalling Rs.3,866,346 made for 35 Objects had been saved.
- (c) Out of the total provisions of Rs.6,637,619 made for 11 Objects, the savings had ranged from 80 per cent to 99 per cent.

4.2 Internal Audit

An internal audit in respect of the Sabha had not been carried out for the year under review and for the preceding year.

4.3 Audit and Management Committees

Action had not been taken to establish and implement the Audit and Management Committees.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following arrears of controls.

System

Deficiency

(a) Accounting	(i) Failure to identify the expenditure
	(ii) Failure to identify the revenue
	(iii) Non-reconciliations of ledger accounts and subsidiary registers
(b) Revenue Administration	Non – recovery of due revenue
(c) Assets Utilization	Idle and underutilized assets.
(d) Budgetary Control	(i) Savings on provisions.
	(ii) Expenditure incurred exceeding the provisions