

Kolonna 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 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman 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 Kolonna 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

The following matters were observed.

- (a) Even though, the balance as per cash book as at 31 December 2017 amounted to Rs.3,880,276, that value had been shown as Rs.4,068,210 in the financial statements. As such the cash balance had been overstated by Rs.187,934.
- (b) Even though, the capital expenditure in the year under review amounted to Rs.61,144,597, that was shown as Rs.59,496,115 in the financial statements. As such the capital expenditure had been understated by Rs.1,675,482.
- (c) Even though, the surplus of the year under review as per financial statements amounted to Rs.50,541,641, that was credited to the accumulated fund as Rs.50,525,295 and as such the balance of the accumulated fund had been understated by Rs.16,346.
- (d) The cost of the assets which recommended to remove or auction by the Report of the Boards of Survey of the year 2017 had been adjusted in the financial statements of the year under review and as such the fixed assets had been understated by Rs.64,052.
- (e) Even though, the creditors as at 31 December 2017 amounted to Rs.34,281,626, it was shown as Rs.44,140,935 and as such the creditors had been overstated by Rs.9,859,309.
- (f) Even though, the total of the balances relating to 05 deposits accounts as at 31 December 2017, amounted to Rs.3,938,093 that value had been shown as Rs.4,907,930 in the financial statements. As such the current liabilities had been overstated by Rs.969,837.

1.3.2 Lack of written evidence for audit

As non-submission of required information for audit, 05 items of accounts totalling Rs.77,729,962 could not be satisfactorily verified in audit.

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

Action in terms of the Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka had not been taken on lapsed deposits totalling Rs.369,470 relating to the period from the year 2000 to 2015.

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.7,678,718 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,237,150.

2.2 Revenue Administration

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

The information relating 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	Estimate Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	854,000	1,087,363	1,069,580	8,614	856,957	887,249	868,422	342,193
Lease Rent	4,568,080	3,649,074	3,644,855	-	5,735,904	3,605,316	3,600,610	4,707
Licence Fees	726,900	958,004	958,044	-	646,925	936,332	939,332	-
Other Revenue	6,703,125	7,936,659	5,137,308	10,429,825	4,343,925	5,493,206	3,993,880	7,330,162

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 revenue collected with regard to the revenue items such as rates and taxes, licence fees and warrant charges and fines by 25 per cent, 32 per cent and 24 per cent respectively and the revenue collected with regard to the revenue items such as lease rent, service charges,

other revenue and contribution made by the Government had decreased by 20 per cent, 48 per cent, 44 per cent and 34 per cent respectively as compared with the estimated revenue.

2.2.3 Other Revenue

The following matters were observed.

- (a) The Sabha had failed to recover a sum of Rs.236,975 relating to 04 water projects belonging to the Sabha recoverable as at 31 December 2017 even by May 2018.
- (b) The water metres for 131 consumer units for which supplied water by Kolonna Water Project had not been fixed and a fixed charge of Rs.100 only has been recovered monthly from those units.

2.2.4 Court Fines and Stamp Fees

The following matters were observed.

- (a) Action had not been taken even by May 2018 to identify and recover court fines receivable for the months of November and 2017.
- (b) Action had not been taken to identify and recover the stamp fees receivable for the period from September 2016 to December 2017.

3. Operating Review

3.1 Performance

The matters revealed on 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 Pradeshiya Sabha Act, are given below.

(a) Non-implementation of Activities

The following matters were observed.

- (i) Even though, a sum of Rs.2,500,000 had been allocated under Provincial Councils and decentralized provisions for construction of water supply schemes and water treatment units in order to achieve the water requirements of the people living in the authoritative area of the Sabha as per the annual Budget, no programme whatsoever relating to that had been implemented during the year under review.
- (ii) Even though, that the Sabha had an adequate financial ability, the 02 programmes for which made the provisions by annual budget and the estimated cost amounting to Rs.150,000 had not been implemented during the year under review.

(b) Sustainable Development Goals

As the Sabha had not known the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and 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 Operating Inefficiencies

The following matters were observed.

- (a) The weekly fair of Dadyamkanda situated in the authoritative area of the Sabha had remained in a severe decaying position and as such the traders also decreased. Even though, the lease rent had been recovered by the Sabha the required facilities had not been provided timely and that had been affected for the above position. But, action had not been taken to repair the fair.
- (b) A request dated 17 November 2016 had been made to the Commissioner of Local Government to renovate the weekly fair as the residents of the area had faced a severe difficulty due to non-adequacy of the land of the Kolonna Weekly Fair for the activities of the fair and the fish mongers are selling fish in the both sides of the Kolonna Madana Road. Nevertheless, the said approval had not been received even by May 2018.
- (c) Even though, the Sabha had taken a decision on 26 August 2014 to name developed villages and to take action relating to that in terms of Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987, it had not been implemented. Subsequently, that activity had been included to the Annual Action Plan 2017 but it was failed to execute that activity even by the end of the year under review.

3.3 Assets Management

(a) Failure to carry out Maintenance and Repairs

Action had not been taken either to repair and utilize or to dispose of 05 motor vehicles and 02 machineries valued at Rs.3,046,550 which had not been utilized for a long period.

(b) Assets not Transferred

The following matters were observed.

- (i) Despite, that 38 cemeteries had belonged to the Sabha the ownership of those lands had not been settled.
- (ii) Even though, the ground tax had been recovered from 29 land blocks in Suriyakanda Town and 01 land block in Wijeriya market place, it was failed to clear the ownership of those land blocks even by May 2018.

3.4 Procurements

3.4.1 Procurement Plan

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

3.4.2 Supplies and Services

Two hundred and eighty CFL bulbs had been purchased from a private institution by incurring Rs.126,000 deviating from the Procurement Procedure.

3.4.3 Contract Administration

The following matters were observed.

- (a) Even though, the payments had been made for laying 63.680^{m³} concrete under one item of work of construction of causeway of the Pahala Walakada Road, the actual quantity deployed had been 52.816^{m³}, thus a sum of Rs.121,405 had been paid for the work of 10.864^{m³} which had not been executed.
- (b)
 - (i) Despite, that the payments amounting to Rs.20,189 had been made to cut and form the road surface under work item No.02 of the work of Development of Kadamuduna Abokoil Road which estimated cost amounting to Rs.1,956,014, the payments also had been made under work item No.06 and 11 for execution of above work utilizing the JCB machine. As such a sum of Rs.81,260 had been overpaid.
 - (ii) As per the payment bill, the length of the road had been 300 m but at the physical examination it was observed that the actual length was 290 m. As such a sum of Rs.64,365 had been paid for the work not executed of 10 m.

4. Accountability and Good Governance

4.1 Budgetary Control

The entire capital provisions totalling Rs.9,600,000 made by the annual budget under 05 programmes for expected development activities to be implemented during the year under review had been saved.

4.2 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 areas of controls.

System

Deficiency

(a) Accounting	(i) Failure to update books of accounts and registers.
	(ii) Unreconciliations of ledger accounts and subsidiary registers.
(b) Revenue Administration	(iii) Understatement of Expenditure. Non-recovery of due revenue.
(c) Assets Utilisation	Existence of idle and underutilized assets.
(d) Contract Administration	Payments made for the activities not executed.
(d) Budgetary Control	Savings on provisions.