

**Pathadumbara 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 29 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 10 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 Pathadumbara 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

Following accounting deficiencies were observed in audit.

- (a) 04 projects had not been completed of Rs.3,013,930 had been capitalized during the year under review and the amount of Rs.148,336 spent for the Development of the Kahalla Public Library had not been capitalized. Lands and Buildings developed in 03 Projects had been capitalized Rs.283,990 over than the actual value.
- (b) Rs.3,013,930 of 06 industrial debtors balances and Rs.844,002 of industrial creditors balances had been double accounted during the year under review.
- (c) The monthly installments payment for the Local Loans Development Fund on December 2016 had been double accounted, therefore the balance of Local Loans Development Account and the balance of debtors account had been understated by Rs.263,226.
- (d) The amount that should be debited to the creditors account of Rs.31,485 had been debited to the deposits account, therefore the miscellaneous debtors had been overstated by that amount and miscellaneous deposits had been understated by that amount.
- (e) License Fees for the year 2017 account had been understated by Rs.50,000 and Advance Income Account had been overstated by that amount because of License Fees of Rs.25,000 received in year 2016 for the year under review had been debited to the License Fees Account 2017, except for crediting.

- (f) The balance of the Advance Income Account had been understated of Rs.68,000 because of the License Fees received of Rs.34,000 in the year 2017 for the year 2018 had been debited to the Advance Income Account except for crediting.
- (g) Rates received for the year 2018 of Rs.761,968 had been debited to the Advance Income Account except for crediting.
- (h) The Balance of the Urban Development Authority Savings Account of Rs.1,246,730 had been stated as Rs.1,134,892 therefore, it had been understated by Rs.111,838.
- (i) The Furniture and Equipment purchased during the year under review had not been capitalized for the year under review.
- (j) Even though the Balance of the Mixed Deposits Account had been Rs.5,658,911 it had been stated as Rs.5,800,992 therefore it had been overstated by Rs.142,081.
- (k) Even though the Court Fines Billings had been of Rs.625,428 for the year under review it had been stated together with the last years billings of Rs.1,196,050 as Rs.1,821,478.
- (l) The value of the excavator owned by the Sabha of Rs.300,000 had been accounted under Motor Vehicles and Carts Account and the Machinery and Equipment Account but the value of the Road pressing machine had not been realized in the accounts and stated.
- (m) Actions had not been taken to account the Profit or Loss of the Project of Solid Waste Management done by the Kundasale and Pathadumbara Pradeshiya Sabhas together.

1.3.2 Contingent Liabilities

19 Outsiders had been filed lawsuits against the Sabha for Broadening Roads, Demolishing Walls, Demolishing the Unauthorized Constructions and Blocking the Culverts but it had not been declared by the Accounting Notes.

1.3.3 Unreconciled Accounts

A deficiency of Rs.19,325,796 had been observed between the sum of 09 items of accounts of Rs.61,841,767 stated in the Financial Statements and its subsidiary registers.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

Acumulated value of 06 balances of Accounts Receivable had been Rs.43,688,851 as at 31 December of the year under review and it included the balance relating 1 to 5 years of Rs.18,235,985 according to its time analysis.

2.2.2 Rates and Tax

The Opening rates in arrears balance had been Rs.3,554,842 and the billing for the year under review had been Rs.5,580,000. Recovery for the year had been Rs.1,433,214 had been from the Arrears and Rs.3,170,335 from the billings during the year. The arrears as at 31 December 2017 had been Rs.4,531,292 and the balance included lapsed a year amount of Rs.2,121,628.

2.2.3 Rent

It had been recovered only Rs.71,790 out of the opening balance of the year under review of Rs.388,071. It had been a minimum value of 18.5 per cent of the total arrears.

2.2.4 Court Fines and Stamp Fees

Court Fines of Rs.1,821,478 and Stamp Fees of Rs.27,641,330 had been receivable as at 31 December of the year under review from the Chief Secretary and the other officers of the Provincial Council.

.3 Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) By-laws

Though by-laws should be imposed to implement 30 main objectives under Section 126 of Pradeshiya Sabha Act, by-laws had only been imposed for 18 objectives even as at 31 December 2017.

(b) Action plan

According to the by-laws imposed, annual action plan had not been prepared for 10 objectives which should be implemented by the Sabha.

(c) Not Achieving the Expected Level of Output

Following matters had been observed even though Rs.1,980,000 had been spent on achieving a task and achieved the expected level of output but not achieved the expected level of outcome.

Task -----	The amount spent as at 31 December 2017 ----- Rs.	Observations -----
Kudugala Shopping Complex	1,980,000	02 stalls of this shopping complex had been remained idle from December 2014 without using.

(d) Tasks Not Implemented

.Projects of Rs.300,000 had not been implemented during the year under review 04

Task -----	Estimated Cost ----- Rs.	Observations -----
i. Development of the down part of the Gamsabha road from Mahakele to Doragamuwa Village Boundary	100,000	A suitable contractor or a approved association had not been presented to complete the task.
ii. Development of the by-road to Galadeniya Hakeemiya Damma School	150,000	-same-
iii. Construction of the side drainage for the water coming from the culvert build on the Kahalla Ihala Gammedda By-road to the Marshy Land	50,000	-same-

(e) Delays in Completion of the Tasks

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observed in completing tasks Following delays had been

Task	Estimated Cost	Commencement Date	Expenditure as at 31 December 2017	Observations
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	Rs.		Rs.	
i. Development of the Meegamma Pansalathenne Road	300,000	2017.12.28	-	Delayed of the rainy weather.
ii. Repair of the Building owned by the Sabha where the Madawala Old Meat Stall had been located	400,000	2017.12.27	-	The work had been started on 20 April 2018.
iii. Development of the Udathalawinna Pallethalawinna Main Road	500,000	2017.12.27	-	The work had been started on 11 June 2018.
iv. Development of the Madawalakadaweediya Hapugasthenne by-road	200,000	2017.12.22	-	Delayed of the rainy weather.
v. Development of the Madawalakadaweediya Galketiyawatta by-road	250,000	2017.12.22	-	Delayed of the rainy weather.

(f) Solid Waste Management

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Solid Waste generated of about 02 tons daily within the Sabha had been separated in to Solid Waste Management decayed waste and sent to the Kundasale-decayed and non .Project

(g) Sustainable Development

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Actions had not been taken by the Sabha to identify sustainable development objectives and targets and to achieve them as well as to identify indices to measure the progress.

3.2 Management Inefficiencies

Following matters were observed.

- (a) 06 stalls in Ambathenna and 04 stalls in Pallethalawinna had been leased for short term (for 03 years' time) but it had been given on lease by 03 years to 03 years for the same lessee and an income had been lost for the Sabha because of not charging the key money.
- (b) Pathadumbara and Kundasale Pradeshiya Sabhas had been made agreements to make the Aluthwatta Solid Waste Management Centre and divide the Loss or Profit equally. Even though Pathadumbara Pradeshiya Sabha had been spent Rs.7,047,210 no any income had been received during the year under review. Actions had not been taken to implement this Program properly and divide the Profit or Loss equally by the persons liable on this matter.
- (c) An amount of Rs.2,387,194 had been hold in the General Deposit without utilizing it for the relevant task given by the Commissioner of Local Authority and the Ministry of Local Governance for more than 02 years.

3.3 Human Resources Management

Employee Vacancies and Excesses

21 Employee Vacancies had been revealed between the Approved and Actual Cadre.

3.4 Assets Management

3.4.1 Not Securing the Protection of the Assets

An action had not been taken on the unauthorized utilization of 5.26 perches of a Land in Madawala Town about 10.9 perches owned by the Pradeshiya Sabha by its neighboring people. 03 stalls had been closed over 10 years built in this Land.

3.4.2 Not Obtaining the Income from the Assets

Following matters were observed.

- i. Actions had not been taken on the No.01 Stall in the Pallethalawinna Shopping Complex had been sealed from a long time.
- ii. 10 stalls in the Ground Floor of the Madawala Shopping Complex had been closed without using it for anything.

- iii. Actions had not been taken on a Backhoe Machine valued of Rs.16,695,000 to use for making an income.

3.4.3 Assets Not Acquired

50 perches land where the Kudugala Shopping Complex had been located had not been acquire to the Sabha.

3.4.4 Idle / Under-utilized Assets

- (a) 04 vehicles of Rs.4,260,000 owned by the Sabha had been remained idle for 5-10 years and actions had not taken to make it repaired or discarded.
- (b) Water Equipment Stock of Rs.1,295,854 purchased by the Sabha had been kept on the stores from a long time without utilizing it.

3.5 Procurement

3.5.1 Procurement Plan

Even though Sabha had spent Rs.1,046,045 Capital Expenditure A Procurement Plan had not been prepared.

3.5.2 Supplies and Services

A Finger Print Machine had been purchased for Rs.46,000 without calling for tenders according to the 6.2.2 of the Procurement Guidelines.

3.5.3 Contract Administration

Funds had been allocated by two steps from the Common Funds in the year 2017 of Rs.975,000 to Develop Ihala Yatawara Sumaga Montessori and it had been made agreements with the Udara Community Development Association for the Developments of this Project First Step Of Rs.600,000. The following matters had been observed during the physical investigation of this construction on 19 April 2018.

- (a) Even though this project should be finished within 03 months the constructions had not been finished as at 19 April 2018. It had been delayed for 04 months than the agreed time and actions had not been taken on this according to the section 04 of the Agreement.
- (b) Silicone Glue had been used to fix The Louvers of the Aluminum Window with two lids in this building because it had not been fixed to the wall therefore it had not been constructed in the standard quality.

- (c) The Aluminum Door with two lids had been estimated to build of Rs.67,645 and the door had not been fixed to the wall because the right side lid handle had not been fixed of the door.
- (d) Even though the estimates had been made for Rs.50,802 to build Louvers both sides of the window and the both sides of the door it had been fixed only one feet up the door and 04 feet broad only.

3.6 Uneconomic Transactions

(a) Distributing Equipment for the Anthurium Grow

- i. Even though Equipment of Rs.35,000 had been given to a person called K.G.Gunawathi resident in No.15, Jambugahapitiya, Mandandawela, Green House had not been built and plied up 07 G.I pipes at home. 50 Flower pots had been given by the Sabha had not been presented to the Audit and the Black Net given to build the Green House had been hanged by the aid of wooden rods.
- ii. Even though Equipment of Rs.30,000 had been given to a person called Dilushika Chandrika Kumari resident in No.48/2/B, Katugasthota, Pallethalawinna, 10 G.I. Pipes and the Black Net had been given to build up the Green House had been kept in the house and the 50 Flower Pots given for the grow had been planted with other ornamental flower plants.

(b) Distributing Juki Machines for self-employment ventures

- i. A Juki Machine had been given to P.G.Indrawathi in Doragamuwa for Rs.30,000 for sewing Bags but, it had not been used and remained idles.
- ii. A Sewing Machine had been given to H.M.Punchi Menika for the venture of Sewed Carpets and Ready Made Cloths but, it had been observed at the physical investigation that there was no such a business.

4 Accountability and Good Governance

4.1 Budgetary Control

It was observed that the budget had not been made use of as an effective tool of management as there is a significant variation between budgeted and actual income and expenditure even after transferring provisions in income and expenditure items during the year under review. Following matters were revealed in this regard.

- (a) Actions had not been taken to recover and income from 16 items of Revenue of Rs.954,000.
- (b) 7 per cent to 99 per cent had not been recovered from 11 items of revenue.
- (c) Provisions allocated on 46 items of Expenditure of Rs.35,250,700 had not been used for any expenditure.
- (d) Variances of 14 per cent to 99 per cent had been observed between the Net Provisions and the actual expenses of 28 items of expenditure.

4.2 Internal Audit

An Officer had not been appointed for the internal audit as at 19 October 2017.

4.3 Audit and Management Committee

Even though an Audit and management Committee had been appointed according to the letter No.CPC/CLG/1/9/1/4 of the Commissioner of Local Authority of Central Province it had been hold only 02 committee meetings for the year under review.

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
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(a) Fixed Assets	<ul style="list-style-type: none"> (i) Failure in survey of the Lands and Buildings (ii) Failure to utilize some assets in any task.
(b) Accounting	<ul style="list-style-type: none"> (i) Failure in identifying and accounting all assets belonging to Sabha. (ii) Failure to realize all the income and account them.
(c) Vehicle Control	<ul style="list-style-type: none"> (i) Failure to use vehicles that could be used to generate income. (ii) Vehicles had been abandoned everywhere without sufficient security.
(d) Collection of Revenue	<ul style="list-style-type: none"> (i) Failure to use assessments on the stalls.

- (ii) Failure to carry out a survey on obtaining commercial license.
 - (iii) Non taking actions to recover the receivable income
- (e) Debtors and Creditors
 - (i) Failure to take actions to settle the industrial debtors balance.
 - (ii) Failure to take actions to recover the credit balances
- (f) Contract Administration
 - (i) Failure to follow the Tender Procedure.
 - (ii) Delays in completing the construction Projects.