

**Pathahewaheta 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 14 June 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 Pathahewaheta 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) Actions had not been taken to account by identifying the value of 62 land lots recorded in fixed assets register.
- (b) A sum of Rs.50,000 amount paid as a deposit to fuel station to get fuel had not only been accounted under prepayments but also as a credit balance in miscellaneous deposit account

1.3.2 Non-reconciled Accounts

According to 02 control accounts, though the balance was aggregating Rs.9,760,631; aggregating of those balances were Rs.9,626,923 as per the schedules, hence it was revealed an un-reconciliation of Rs.291,362.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the total value of 08 Accounts Receivable balances as at 31 December 2017 was Rs.85,862,288, and a balance over 5 years aggregating Rs.7,821,869. Arrears balance for over 01 to 05 years period aggregating Rs.35,123,508, and a balance of Rs. 79,894,013 was further being receivable as at 11 May 2018.

(b) Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2017 was Rs. 23,660,846, and a balance over 5 years aggregating Rs. 15,000. Arrears balance for over 01 to 05 years period aggregating Rs. 2,563,204, and a balance of Rs.8,971,064 was further being payable as at 11 May 2018.

1.3.4 Lack of Documentary Evidence for Audit

Three accounts items aggregating Rs.30,963,152 could not be satisfactorily verified in audit due to non-presenting relevant information.

1.3.5 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) Section 149 of Pradeshiya Sabha Act No. 15 of 1987	--	Actions had not been taken to recover 01 per cent charges from the revenue of 10 hotels registered in the area of the authority of the Sabha.
(b) Pradeshiya Sabha (Finance and Administrative) Rules of 1988		
(i) Nos. 59, 61 and 67	--	Survey had not been conducted with relating to industries, businesses and professional premises in the area of the authority of the Sabha. Further the registers in this regard had not been maintained.
(ii) 218	--	Board of survey had not been conducted with relating to lands and buildings belonging to Sabha.

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|-----|--|---------|---|
| (c) | Financial Regulations 571 (3) of Democratic Socialist Republic of Sri Lanka | 407,220 | Though actions should be taken to settle deposits as required by keeping in temporary deposit account, the deposits in 43 instances during the period 2012 – 2016 had been kept in the deposit account. |
| (d) | 05 (I) of Circular No. 2016/3 dated on 17 March 2016 of the Commissioner of Local Government | -- | Though, actions should be taken to generate income to Sabha by revising assessment rent at least in 05 years, the rent had been collected for the year under review from shops at Galaha and Delthota based on the assessment made on the year 2004 and 2006. |

2. Financial Review

2.1 Financial Results

According to the Amended Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs. 25,037,388 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.33,941,501.

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	11,354,482	10,061,875	8,466,490	22,728,124	3,253,822	10,030,837	6,699,858	21,023,046
(ii) Rent	3,729,356	3,921,109	4,315,015	880,610	4,523,935	4,256,548	3,487,853	1,160,531
(iii) License Fees	5,333,250	2,404,587	2,404,587	--	3,082,855	2,416,703	2,416,703	--
(iv) Other Revenue	29,099,540	28,007,204	13,758,995	50,296,617	34,550,347	30,688,304	14,835,844	36,483,774
Total	49,516,628	44,394,775	28,945,087	73,905,351	45,410,959	47,392,392	27,440,258	58,667,351

2.2.2 Performance in Revenue Collection

Arrears as at 31 December 2016 from all sources of income was Rs.58,667,351 and the increase in arrears revenue was 26 per cent due to being that amount as Rs.73,905,351 as at the end of the year under review.

2.2.3 Rates and Tax

(a) Rates

While there was a balance of rates in arrears amounting Rs. 5,635,445 as at 01 January 2017, billing up to 31 December 2017 was Rs. 2,634,360. The recoveries from the arrears and billing as at 31 December 2017 was Rs.1,283,099 and Rs.1,859,942 respectively. This was 23 per cent and 71 per cent and a sum of Rs. 5,126,764 was remained as arrears balance as at 31 December 2017.

(b) Acreages Tax

While there was a balance of acreages tax in arrears amounting Rs. 1,156,129 as at 01 January 2017, billing up to 31 December 2017 was Rs.50,981. Any amount had been recovered from the arrears as at 31 December 2017 and only a sum of Rs. 205 had been recovered from billing. Accordingly recovery of income was in a poor level and actions had not been taken in terms of section 158 of Pradeshiya Sabha Act No. 15 of 1987.

2.2.4 Rent

While there was a balance of shop rent in arrears amounting Rs. 430,696 as at 01 January 2017, billing for the year 2017 was Rs.1,634,063. The recoveries from the arrears and billing as at 31 December 2017 were Rs.69,870 and Rs.1,256,203 respectively. This was 16 per cent and 77 per cent. Arrears shop rent balance of Rs.738,686 were remained as at 31 December 2107 and a sum of Rs.320,804 were further remained as at 11 May 2018.

2.2.5 License Fees

Trade licenses for the year under review had not been obtained by 20 Business Institutes at the time of audit test check carried out in 28 Business Institutes on 24 November 2017.

2.2.6 Court Fines and Stamp Fees

Court Fines amounting to Rs. 930,331 and Stamp Fees amounting to Rs. 47,380,986 were receivable from the Chief Secretary to the Provincial Council and Other Authorities as at 31 December 2017.

3. Operating Review

3.1 Management Inefficiencies

- (a) Actions had not been taken to settle an advance balance of Rs.12,806 carrying forward over 03 years period.
- (b) Actions had not been taken to settle the amount payable of Rs.361,694 to Provincial Road Development Authority even as at the end of the year under review for the repair conducted in the year 2012.
- (c) Shop No.03, given on lease basis to a party residents in Gurudeniya road Thalathuoya for retail business on August 1985 without a date for monthly rent of Rs.125; had been sealed by withdrawing the agreement in the year 2014 due to nonpaying the rent of Rs.227,180. Sabha had given improper authority to some other party to conduct temporary shop with roofing sheet in front of that sealed shop without clearing the said matter. The deed or transfer order to prove the legal possession of the land, which is in this shop rented out in 1985, was not available with the Sabha.

3.2 Human Resources Management

- (a) Vacancies in 48 posts and excess in 01 post were available between approved and actual cadre of the Sabha as at 31 December 2017.
- (b) Advance work programs and work done sheets of a revenue inspector had not been provided for the period from February to October of the year under review.

3.3 Operational Inefficiencies

- (a) Though rates should be charged by conducting a new assessment once in 05 years, rates for the year 2017 had been charged on the basis of the assessment made on the year 2008.
- (b) 12 shops in Delthota public market had been given to outside parties for business activities from the year 2008 without rent agreements and the signatures of neither the Chairman nor the Secretary had been placed in the rent agreements of 14 shops.
- (c) Though the Sabha is the Public Health Authority in terms of paragraph 78 (1) of Pradeshiya Sabha Act No.15 of 1987, water had been being distributed to 3000 parties provided the water supply from 07 water schemes only by adding chlorine and without filtering or clearing water.

3.4 Assets Management

Utilization of Vehicles

A sum of Rs.103,188 had been spent for repair activities on the accident occurred to the Cab belonging to Sabha on 14 May 2015. Actions had not been taken in terms of F.R. 104 (4) even as at 24 November 2017 in this regard.

3.5 Procurement

3.5.1 Procurement Plan

Though capital expenditure of Rs.84,537,779 had been incurred by the Sabha in the year under review, a procurement plan had not been prepared.

3.5.2 Supplies and Services

Books valued at Rs. 85,000 had been purchased from an institute who had not sent quotations at the time of calling quotations for the procurement of library books.

4. Accountability and Good Governance

4.1 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 22 per cent to 40 per cent in 03 items of revenue and variations from 29 per cent to 137 per cent in 05 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Internal Audit

Sufficient internal audit could not be carried out due to assigning some other activities other than internal audit activities and copies of internal audit reports had not been rendered to Auditor General.

4.3 Corporate Plan

Corporate plan for the year under review had not been prepared.

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	<ul style="list-style-type: none"> i. Failure in revenue collection. ii. Non collecting shops rents on new assessment. iii. Non conducting surveys on Industries, Trade Business and Professional Institutions.
(b) Assets Management	<ul style="list-style-type: none"> i. Improper fixed assets register. ii. Failure in taking actions to obtain deeds and transfer orders for many lands. iii. Non conducting a land survey.
(c) Debtors and Creditors	<ul style="list-style-type: none"> i. Improper registers. ii. Failure in taking actions to recover trade debtor amount.
(d) Sundry Deposits	<ul style="list-style-type: none"> i. Keeping with held trading for long period. ii. Failure to consider the refundable deposits.