

**Pallepola Pradeshiya Sabha**

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**Matale District**  
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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year under review had been submitted to Audit on 07 April 2015 while Financial Statements relating to the preceding year had been submitted on 21 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary to the Sabha on 06 August 2015.

**1.2 Opinion**

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I am of opinion that except for the effect on the financial statements of the matters referred to in paragraph 1.3 of this report, that the financial statements had been prepared in accordance with Generally Accepted Accounting Principles, give a true and fair view of the state of affairs of the Pallepola Pradeshiya Sabha as at 31 December 2014 and financial results of its operation for the year then ended and cash flows.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**  
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Following accounting deficiencies were observed in audit.

- (a) A Creditors Balance of Rs. 3,000,000 had been made for the sum of Rs. 1,163,313 to be reimbursed from the Ministry of Provincial Councils and Regional Development, Due to that, expenditure for the year and the creditors balance had been overstated in a sum of Rs. 1,836,687.

- (b) The cost of 03 buildings totaling Rs 143,800 demolished and removed had not been deleted from the accounts. Due to that, those balances had been overstated to the extent of value equal to that.
- (c) The Works Expenditure amounting to Rs. 1,847,474 relevant to the year under review had been understated in the financial statements.
- (d) Value of the Computer amounting to Rs. 93,592 received from the Central Province Local Government Department and the values of the tipper vehicle and 4 wheeled tractors received from the Ministry of Provincial Councils and Regional Development had not been accounted.
- (e) The expenditure incurred for construction of the Sabha Building and the Assembly Hall had been understated in a sum of Rs. 568,905, while expenditure incurred for improvements of the Assembly Hall Stage II had been overstated in a sum of Rs. 118,276 in the accounts.
- (f) Value of 125 Galvanized Pipes amounting to Rs. 138,392 provided by the Ministry of Provincial Councils and Regional Development had not been accounted.

### **1.3.2 Un-reconciled Control Accounts**

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Discrepancies totalling Rs. 1,397,704 were observed between balances of 04 items of accounts totalling Rs. 34,300,489 shown in the financial statements and balances shown in the relevant subsidiary registers and records.

### **1.3.3 Accounts Receivable**

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While the total of 06 balances of Accounts Receivable as at end of the year under review amounted to Rs. 1,909,888, three balances remained unsettled for more than 03 years totalling Rs. 203,056 were included therein.

### **1.3.4 Accounts Payable**

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While the total of 08 Creditors' Balances Payable as at the end of the year under review amounted to Rs.26,448,375, three balances remained unsettled for more than 03 years totalling Rs. 1,349,154 were included therein.

### **1.3.5 Lack of evidence for audit**

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Transactions totalling Rs.1,655,246 relevant to 04 items of accounts could not be satisfactorily vouched in audit, due to non-submission of required information to audit.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.3,310,597 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,981,960. When compared with the preceding year, an improvement of Rs.1,328,637 was reflected in the financial results for the year under review.

## **2.2 Revenue Administration**

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### **2.2.1 Acreage Tax**

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While the balance Acreage Tax in Arrears amounted to Rs.107,473, balances that had been outstanding for more than a year amounting to Rs.101,233 were included therein.

### **2.2.2 Rates**

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While the balance of Rates in Arrears amounted to Rs.159,051, balances that had been outstanding for more than a year amounting to Rs. 119,547 were included therein.

### **2.2.3 Garbage Charges**

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While the balance of Garbage Charges in Arrears amounted to Rs.72,562, balances that had been outstanding for more than a year amounting to Rs. 62,922 were included therein.

### **2.2.4 Court Fines and Stamp Fees**

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A sum of Rs. 316,311 on account of Court Fines and a sum of Rs. 3,945,707 on account of Stamp Fees were due to be recovered as at 31 December of the year under review, from the Chief Secretary of the Provincial Council and other authorities. Action had not been taken to recover Stamp Fees amounting to Rs. 825,857 to be received relevant to the period from 1992 to 2010 and Court Fines to be received amounting to Rs. 29,100 for the year 2011.

### **2.2.5 Environmental Permits**

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Revenue amounting to Rs. 57,200 had been lost to the Sabha, due to non-issue of Environmental Permits to 13 business entities liable to obtain permits.

### **3. Operating Review**

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#### **3.1 Performance Evaluation**

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Although the Salaries and Wages Expenditure of the Sabha was Rs. 14,779,482, a sum of Rs.10,024,976 only had been reimbursed by the Provincial Council. Due to that, a sum of Rs.4,754,506 had to be met from the Sabha Fund.

#### **3.2 Management Inefficiencies**

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Action had not been taken to settle Work Debtors Balance totalling Rs. 151,274 which was being brought forward over a long period.

#### **3.3 Operational Inefficiencies**

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Following matters were observed.

- (a.) Out of the 162 building applications received during the year under review and two preceding years for approval of building plans in terms of Section 21 of the Urban Development Authority Act No. 41 of 1978, 116 applications had been approved. However, out of those, Certificates of Conformity had been issued only for 02 applications.
- (b.) While a survey had not been carried out with regard to Trade Licenses, applications had been issued only to the business entities recorded in the Register of Licenses.
- (c.) A survey had not been carried out with regard to Land and Buildings after the year 1987.

### **3.4 Transactions of Contentious Nature**

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Following matters are observed.

- (a) Without introducing a procedure to recover Water Charges according to number of water units consumed from the Umbokka Water Scheme belongs to the Sabha, a fixed charge of Rs.200 had been recovered.
  
- (b) A sum of Rs. 117,500 had been paid out of the Sabha Fund as case charges during the period from the year 2001 to 31 December of the year under review, in connection with the case filed due to failure in vesting ownership of the land where the Sabha Office is located.

### **3.5 Improper Transactions**

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A sum of Rs. 3,128,326 had been paid as Salaries and Allowances out of the Sabha Fund during the year under review, having engaged 24 employees in service without obtaining a proper approval in terms of provisions in Section 19(i) (i) of the Pradeshiya Sabha Act No. 15 of 1987.

### **3.6 Identified Losses**

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Following matters are observed.

- (a) Although the Finger Print Marking Machine purchased at an expenditure of Rs. 58,500 during the year under review had been defunct, it had been removed from use without action being taken to repair it.
  
- (b) There was a shortage of 51 units of Galvanized Pipes valued at Rs. 56,464 provided through the Ministry of Provincial Councils and Regional Development.
  
- (c) A loss amounting to Rs. 72,255 had occurred from a water scheme implemented during the year under review.

### **3.7 Idle/Under-utilized Assets**

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While 02 Vehicles costing Rs. 884,400 had remained idle during a period of about 05 years, a Community Hall Building costing Rs. 14,300 and a Water Storage Tank costing Rs. 65,000 had become unserviceable due to non-use.

### **3.8 Solid Waste Management**

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While there was no proper procedure to be followed by the Sabha for disposal of waste, a land had not been legally vested for the Solid Waste Management Project even as at the end of the year under review. Action had been taken to cut pits and burry the daily collected garbage and cover those with earth in a land situated in the Moragaspitiya area.

## **4. Accountability and Good Governance**

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### **4.1 Internal Audit**

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A system of Internal Audit had not been conducted in terms of Rue 5 (7) of the Series of (Financial and Administrative) Rules of 1988.

### **4.2 Audit and Management Committee**

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Although Audit and Management Committees should be established as per Letter No.CPC/CLG//1/9/1/4 dated 08 August 2014 of the Commissioner of Local Government, Steps had not been taken to establish those Committees even up to the end of the year under review.

### **4.3 Budgetary Control**

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(a) There were Variations in a range from 13 to 67 per cent between the estimated revenue and actual revenue relating to 11 Items of Revenue.

- (b) While the entire provision of Rs. 490,000 made available for 14 Items of Expenditure had been saved, there were variations in a range of 2 to 67 per cent between the net provision and actual expenditure in another 25 Items of Expenditure.
- (c) Even after making amendments to the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure and therefore it was observed that, the Budget had not been made use of as an effective tool of management.

## **5. Systems and Controls**

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Special attention of the Sabha is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management
- (d.) Contracts Control
- (e.) Debtors and Creditors Control
- (f.) Vehicles Control
- (g.) Solid Waste Management