

## **Panvila Pradeshiya Sabha**

### **Kandy District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

Financial Statements for the year under review had been submitted to the Audit on 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 05 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 13 July 2015.

##### **1.2 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 Panvila Pradeshiya Sabha as at 31 December 2014 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 deficiencies are observed.

- (a) The value of Library Books amounting to Rs.1,347,975 as at 31 December of the year under review according to the Register of Handling, had been shown as Rs.1,178,098 in the accounts. Due to that, a sum of Rs.169,877 had been understated in the accounts.
- (b) A sum of Rs.2,642,216 being amount un-spent out of funds provided for works to be performed direct through the Pradeshiya Sabha under the National Program for Strengthening Pradeshiya Sabha through the Ministry of Local Government of and Provincial Councils had been shown as Creditors.

###### **1.3.2 Accounts Receivable**

While the value of Accounts Receivable balances as at 31 December 2014 was Rs.17,480,045, out of that, total of balances that had exceeded one year had been Rs.2,330,128.

## **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 Sabha for the year ended 31 December 2014 amounted to Rs.390,146 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,157,352. Accordingly, a decrease in a sum of Rs.767,206 was observed in the financial result.

### **2.2 Analytical Financial Review**

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- (a) Although payments amounting to Rs.10,834,201 had been made as salaries and allowances during the year under review through the Sabha, only a sum of Rs.9,608,068 had been reimbursed from the Central Provincial Council. Accordingly, shortfall in the reimbursement amounting to Rs.1,226,133 had been met from the recurrent revenue of the Sabha.
  
- (b) Although the amount paid as interest on distress loans during the year under review was Rs.77,872, a sum of Rs.58,884 only had been reimbursed from the Provincial Council. The outstanding sum of Rs.18,988 for that had been written off against the surplus.

## **2.3 Revenue Administration**

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### **2.3.1 Rates**

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While there was a balance of Rs.529,490 as at 31 December 2014, a sum of Rs.290,103 was due to be recovered out of that balance as at 30 June 2015. Action in terms of Section 158 of the Pradeshiya Sabha Act No. 15 of 1987 had not been for recovery of that arrears sum.

### **2.3.2 Lease Rent**

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- (a) Out of the balance of arrears amounting to Rs.137,842 as at the beginning of the year under review, only a sum of Rs.79,984 had been recovered. It was 58 per cent when taken as a percentage. Final balance of arrears at the end of the year was Rs.159,533. Out of that amount in arrears, a further balance of Rs.122,087 was in arrears.
  
- (b) In instances where lessees of stalls belong to the Sabha had assigned the stalls to sub-lessees, action had been taken to assign those stalls to sub-lessees and to obtain a deposit of Rs.580,000 from those sub-lessees without action being taken to vest the stalls back as provided in the agreements.

### **2.3.3 Environmental License Fees**

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Twenty two Industries had been carried on without obtaining Environmental Licenses as per directions in Special Gazette Notification No. 1533/16 dated 25 January 2008, in compliance with regulations enforced under National Environmental Act No. 47 of 1980 as amended by Act No. 56 of 1988 and Act No. 53 of 2000. Revenue lost to the Sabha due to that during the year 2014 was Rs.80,000.

### **2.3.4 Business License Fees**

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While an annual license fee of Rs.672,832 (01 per cent) was due to be recovered as at the date of end of the year under review from a hotel in Madolkele, registered in the Sri Lanka Tourism Development Board, out of that, a balance of Rs.336,416 was due to be recovered further as at 30 June 2015.

### **2.3.5 Acreage Tax**

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While the balance of arrears at the beginning of the year under review was Rs.33,646, billings during the year had been Rs.39,808. While recoveries had been Rs.6,491 and Rs.15,987 respectively, as a percentage it had been 19 per cent and 40 per cent respectively. There was balance of arrears amounting to Rs.50,976 at the date of end of the year under review. Out of that, a balance of Rs.35,198 was due to be recovered further as at 30 June 2015.

### **2.3.6 Stamp Fees**

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Stamp Fees amounting to Rs.233,470 was receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014.

## **3. Operating Review**

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### **3.1 Management Inefficiencies**

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Following matters are observed.

- (a) Contributions payable to the Local Government Service Pension Fund had not been remitted and due to that, an arrears sum of Rs.357,127 was payable as at 31 December 2014. Out of that, a balance sum of Rs.277,127 was payable further as at 30 June 2015.
- (b) A formal course of action had not been followed with regard to 05 unauthorized transmission towers constructed in the area of authority of the Sabha.

- (c) Although Business Tax should be recovered annually from the companies provided with communication facilities through the transmission towers, a sum of Rs.30,000 had not been recovered from 07 companies as a minimum.
- (d) Although there were 08 vacancies out of 48 posts in the approved cadre, action had not been taken to get those vacancies filled.

### 3.2 Operational Inefficiencies

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Following matters are observed.

- (a) While action had not been taken to get the ownership transferred in favor of the Sabha, with regard to 04 vehicles valued at Rs.15,140,000 and received to the Sabha during the period from the year 2006 to 2014, it had not been disclosed through notes to the accounts.
- (b) Action had not been taken to get remitted the loan balances amounting to Rs.317,634 in a lump sum due from 12 officers and employees left on transfers during the year 2014 and prior years from those institutions. These loans were being recovered in installments.
- (c) Action had not been taken even up to 31 March 2015 to recover Administrative Expenditure amounting to Rs.15,000 remained to be recovered from the Ministry of Trade, Commerce and Tourism as at 31 December 2013.
- (d) Although it had not been possible to recover Advertisements Boards Charges amounting to Rs.81,027 billed during the year under review in terms of Gazette Notification No. 1842 dated 20 December 2013 of the Republic of Sri Lanka, action had not been taken by the Sabha to remove those advertisements boards. Out of this balance, a sum of Rs.20,617 remained to be recovered further as at 30 June 2015.
- (e) Action had not been taken to settle the Security Deposits amounting to Rs.20,617, of two officers left on transfers during the year under review, up to the end of the year.
- (f) A sum of Rs.3,277,039 relevant to 40 Works performed expecting external provisions during the Year under review, had not been got reimbursed even as at 30 April 2015.
- (g) While 406 places provided with water through the Water Project in the area of authority of the Sabha were identified, action had not been taken to fix water meters for the water consumers and recover charge properly.
- (h) Action had not been taken to recover a loan balances amounting to Rs.16,237 of two officers interdi on transfers even up to 30 March 2015, date of audit.

### **3.3 Idle and Under-utilized Assets**

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Following matters are observed.

- (a) Five assets valued at Rs.10,075,000 remained idle and Under- utilized as at the end of the year under review.
- (b) Although 100 Galvanized (GI) Pipes valued at Rs.110,712 had been provided on 06 December 2014 from the Ministry of Local Government, those had been kept in the stores without being used for any fruitful work.

### **3.4 Identified Losses**

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It was revealed that there had been a shortage of 60 library books valued at Rs.10,268 as at 31 December 2014.

### **3.5 Contracts Administration**

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Following matters are observed.

- (a) A Creditors balance of Rs.2,610,914 relevant to payments refused from the external Ministries due to lapses in the Works performed was being brought forward since the year 2011.
- (b) A sum of Rs.1,765,254 had been claimed back from the Sabha by the Ministry out of the payments made to contractors for 02 works performed on the provisions of the Ministry of Live Stocks, due to lapses in the constructions performed. Action had not been taken either to recover these wrong payments from the persons responsible and settle or to disclose it in the accounts.
- (c) Although the road surface should be leveled after putting earth and concrete should be laid on that under item 02 of the estimate relating to the Road Development Work of Maussawatta down part, road ground had been laid with concrete without carrying out work accordingly. However, payments amounting to Rs.79,936 had been wrongfully certified for that by the technical officers.

(d) Following matters are observed with regard to the Work.

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Construction of the Gomarawatta Stadium

- i. Charges for 202 days delay, amounting to Rs.99,470 had not been recovered.
- ii. Although concrete columns and constructions up to first concrete slab level under items of works 1 to 06 had been performed as at the date of inspection, those had not been properly positioned while there were honey combs and those had been closed with plaster. However, work done amounting to Rs.490,000 had been certified and payments had been made.

(e) According to Section 3.9.1 of the National Procurement Code, when spending funds provided to the Sabha by the external institutions, through awarding contracts direct to community based organizations total number of contracts during any period should not exceed 03 contracts, and the total value should not exceed Rs.02 million as well. However, contrary to those provisions, 34 contracts valued at Rs.13,380,000 had been awarded to 09 societies.

**4. Accountability and Good Governance**

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**4.1 Corporate Plan**

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A Corporate Plan had not been prepared for the year under review.

**4.2 Procurement Plan**

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Although capital expenditure amounting to Rs.56,902,077 had been incurred by the Sabha during the year under review, a Procurement Plan had not been prepared for that.

**4.3 Internal Audit**

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Although an internal audit program had been prepared in the Sabha during the year under review, an adequate internal audit had not been carried out.

**4.4 Budgetary Control**

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It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 13 per cent to 69 percent in 06 items of revenue and variations from 13 per cent to 100 per cent in 08 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure

## **5. Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Contracts Administration
- (e) Assets Management.