

Pathadumbara 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 28 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 14 August 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 Pathadumbara 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 accounting deficiencies are observed.

- (a) Action had not been taken to assess 67 Blocks of Lands and 77 Tube Wells not valued and account those values and 26 Blocks of Land valued at Rs.10,368,381 belong to the Sabha.
- (b) Value of 528 Galvanized Pipes (G.I) amounting to Rs.584,573 received from the Ministry of Local Government and Provincial Councils during the year under review had not been accounted.

1.3.2 Non-reconciled Control Accounts

While the total of balances relevant to 02 items of accounts according to Control accounts was Rs.492,866, the total of those account balances according to schedules had been Rs.480,650 and therefore a non-reconciliation of Rs.12,216 had been observed.

1.3.3 Accounts Receivable

While the total value of Accounts Receivable balances as at 31 December 2014 was Rs.79,597,306, out of that, total of account balances which had exceeded a period of one year had been Rs.4,361,326.

1.3.4 Accounts Payable

While the total value of 09 Accounts Payable balances as at 31 December 2014 was Rs.74,961,683, out of that, total of account balances which had exceeded a period of one year had been Rs.3,502,800.

1.3.5 Lack of Evidence for Audit

Transactions totaling Rs.4,799,440 relating to 03 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.

2.1 Financial Results

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.18,675,194 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.13,881,271 indicating an improvement of Rs.4,793,923 in the financial result.

2.2 Revenue Administration

2.2.1 Rates

Following matters are observed.

- (a) While the tax balance in arrears at the beginning of the year under review amounted to Rs.1,688,226, billings for the year had been Rs.5,420,626. The percentage of recovery during the year out of arrears and billings had been 61 per cent and 68 per cent respectively. Value of Rates in arrears as at 31 December of the year under review amounted to Rs.2,412,398. Action in terms of Sections 158(1) and 159 (1) of the Pradeshiya Sabha Act had not been taken to recover the balances in arrears.
- (b) Action had not been taken to recover Rates in arrears amounting to 43,859 due from 10 Government Institutions since a period between 01 to 13 years.

2.2.2 Stalls Rent

Following matters are observed.

- (a) While the Stalls Rent in arrears as at 31 December of the year under review was of Rs.389,847, out of that balance the amount that had exceeded a period of more than 01 year was Rs.384,037.
- (b) While Stalls Rent amounting to Rs.331,158 relevant to the period from 2000 to 2011 had not been recovered from 09 stalls belong to the Sabha, action in terms of lease agreement had not been taken to make recoveries in this connection.

2.2.3 Water Charges

Following matters are observed.

- (a) While Water Charges in arrears as at 31 December of the year under review was of Rs.235,743, out of that balance the amount in arrears that had exceeded a period of more than 01 year was Rs.146,075.
- (b) Action had not been taken to recover Water Charges amounting to Rs.29,890 from 60 water consumers of the Megammana, Yatawara Water Scheme which is not in operation at present.

2.2.4 Court Fines and Stamp Fees

Court Fines and Stamp Fees amounting to Rs.22,576,198 were due as at 31 December 2014 from the Chief Secretary to the Provincial Council and other authorities.

3. Operating Review

3.1 Receipt of Galvanized Pipes

According to the letter No. PL/3/1/9 dated 19 December 2014 of the Additional Secretary (Development) to the Ministry of Local Government and Provincial Councils, 528 Galvanized Pipes valued at Rs.584,573 had been provided for the use of the Maintenance Yard.

Following matters are observed.

- (a) Although 07 Galvanized Pipes valued at Rs.7,750 had been carried out for private use by a member, it had not been returned back to the Sabha up to 21 July 2015, date of audit.

- (ii) An indoor rack had been constructed using 97 pipes valued at Rs.107,393. Technical Officer's reports were not furnished to audit to support that the works relating to this construction have been successfully made according to relevant drawings and estimate.
- (iii) Any future plan was not available with regard to utilization of 161 pipes valued at Rs.178,251 and those had been kept idle in the stores.
- (i) Any information was not furnished to audit with regard to a maintenance yard planned by the Pradeshiya Sabha according to the letter of Additional secretary to the Ministry of Local Government and Provincial Councils.

3.2 Operational Inefficiencies

Ownership of 02 vehicles valued at Rs.8,390,000 included in the accounts had not been vested.

3.3 Staff Loans

- (a) Action had not been taken to recover a loan of Rs.33,886 due from an officer retired during the year 2014 up to 21 July 2015, date of audit.
- (b) Action had not been taken to recover in a lump sum, loans amounting to Rs.476,323 due from 09 officers left on transfers to other departments.

3.4 Idle and Under-utilized Assets

Following matters are observed.

- (a) While 02 items of Fixed assets valued at Rs.62,090 and a cab vehicle value of which not identified had been kept idle for more than a period of 04 to 07 years, action had not been taken to bring those assets to normal condition or to take other suitable action.
- (b) Six units of materials valued at Rs.28,960 and 03 units of which value not shown had been kept idle without being issued for more than a period of 02 years.

3.5 Contracts Control

- (a) 102 contract works valued at Rs.13,189,310 had been assigned to community based organizations without following provisions in Rules 177 and 178 of the Pradeshiya Sabha (Financial and Administrative) Rules Series of 1988.
- (b) Although a building had been constructed having spent a sum of Rs.23,338,038 for the Pradeshiya Sabha in land belongs to the Pathadumbara Divisional Secretariat during the

year 2012, action had not been taken to vest the portion of land in extent of Hectares 0.1028, where that building is situated, from the Divisional Secretary even up to 20 July 2015.

4 Accountability and Good Governance

4.1 Budgetary Control

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 11 per cent to 171 percent in 07 items of revenue and variations from 17 per cent to 170 per cent in 04 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

5. Systems and Controls

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

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