

Pathahewaheta 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 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 10 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 Pathahewaheta 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

Action had not been taken to assess the value of Public Burial Grounds, Public Wells, Latrines, 400 Community and Society Halls belong to the Sabha and take to accounts.

1.3.2 Non-reconciled Control Accounts

While the balance of Staff Loans according to the control account was Rs.2,617,650, according to the subsidiary registers, balance of the account had been Rs.2,770,510 and therefore a difference of Rs.152,860 was observed.

1.3.3 Accounts Receivable

While total of 05 Accounts Receivable balances as at 31 December 2014 was Rs.50,472,078, out of that, total of balances that had exceeded one year had been Rs.15,504,333.

1.3.4 Accounts Payable

While total of 02 Accounts Payable balances as at 31 December 2014 was Rs.34,428,181, out of that, total of balances that had exceeded one year had been Rs.3,074,343.

1.3.5 Non-compliance with Laws, Rules and Regulations.

 Following instances of non-compliance with laws, rules, regulations and management decisions were observed in audit.

Reference to laws, rules, regulations and management decisions	Non-compliance
-----	-----
(a) Pradeshiya Sabha Act No. 15 of 1987 ----- Section 134	Action had not been taken to identify the areas developed after the year 2008 and recover Rates.
(b) Pradeshiya Sabha (Finance and Administrative) Rules of 1988 ----- Rules 177 and 178	120 Construction Works valued at Rs.18,168,487 had been assigned to community based organizations without following the tender procedure.
(c) Establishments Code of the Republic of Sri Lanka ----- Clauses 4.4 and 4.5 in Chapter xxiv	Action had not been taken to recover loan balances amounting to Rs.44,725 not recovered during a long period, due from 07 officers and employees who had left on transfers, deceased, interdicted and vacated service.

2. Financial Review

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.19,491,520 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.29,929,587. Accordingly, a decrease in a sum of Rs.10,438,067 was observed in the surplus.

2.2 Revenue Administration

2.2.1 Rates

(a) While there was a balance of arrears amounting to Rs.6,154,106 as at the date of commencement of the year under review, billings amounted to Rs.2,434,573. Out of these balances, the percentage of recovery during the year had been 50 per cent and 56 per cent respectively. The balance of Rates in arrears as the date of end of the year under review was Rs.4,274,748. Action in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the balances in arrears which had exceeded more than a year amounting to Rs.3,093,513.

(b) Acreage Tax

While the balance of arrears amounting to Rs.1,023,444 as at the date of end of the year under review was being brought forward over a number of years, a proper procedure had not been followed for recovery of those balances.

2.2.2 Stalls Rent Revenue

A proper procedure had not been followed for recovery of the balance in arrears amounting to Rs.389,836 as at the end of the year under review, on account of leasing out the stalls belong to the Sabha.

2.2.3 Water Charges

(a) Although the number of water consumers relevant to a water project belong to the Sabha were 3424, water meters had been fixed only for 819 consumers.

(b) While there was a balance of Water Charges in arrears amounting to Rs.7,570,521 as at 31 December 2014 due to non-recovery of Water Charges properly, action had not been taken to recover those arrears amounts in terms of paragraph 02 (iv) of the agreement entered into with the water consumers.

2.2.4 Court Fines and Stamp Fees

Value of Court Fines and Stamp Fees Receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2014 was Rs.20,337,089.

3. Operating Review

3.1 Management Inefficiencies

Following matters are observed.

- (a) Although 63 unauthorized constructions had been made in the area of authority of the Sabha during the years 2012, 2013 and 2014, legal action had not been taken in that connection.
- (b) While there had been 34 vacancies in the approved cadre of the Sabha, those vacancies had not been filled and therefore it was observed that the officers are covering up duties in number of posts.
- (c) There was a balance of Rs.1,123,120 being an amount incorrectly billed in the balance of Water Charges in arrears amounting to Rs.7,570,521 as at 31 December of the year under review. Although this matter had been pointed in the Auditor General's report for the year 2013, action had not been taken to rectify the error.

3.2 Idle and Under-utilized Physical Assets

The balance work of the Nugaliyedda Community Hall constructed only up to the concrete roof level having put up concrete columns by spending a sum of Rs.300,000 during the year 2013 had not been completed. Due to that, it had not been used for any fruitful purpose as at 20 June 2015, date of audit.

3.3 Contracts Administration

Although construction works of Moragolla Multi Purpose Building had been completed having spent a sum of Rs. 643,656, toilet facilities had not been provided in the upper floor of the building, while floor tiling and white washing of walls had not been made.

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 12 per cent to 77 percent in 07 items of revenue and variations from 12 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.

4.2 Procurement Plan

A Procurement Plan had not been prepared for purchases and constructions of the Sabha.

4.3 Conducting Audit and Management Committees.

Audit and Management Committees had not been established in the Sabha.

4.4 Internal Audit

An adequate internal audit had not been carried out in the Sabha.

5. Systems and Controls

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

- (a) Accounting
- (b) Internal Audit
- (c) Revenue Administration
- (d) Assets Management
- (e) Contracts Administration.