

## **Panadura Pradeshiya Sabha**

### **Kalutara District**

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

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

Financial Statements for the year under review had been submitted to Audit on 30 March, 2016 while the Financial Statements relating to the preceding year had been submitted on 31 March, 2015. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 29 July 2016.

##### **1.2 Qualified Opinion**

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Panadura Pradeshiya Sabha as at 31 December 2015 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 observations are made.

- (a). Although industrial creditors' value relating to the year under review was Rs.2,315,137 the same had been shown as 2,179,33 in the financial statements thus understating the industrial creditors' value by a sum of Rs.135,804. Also, capital expense too had been understated by the same amount.
- (b). The C.C.T.V camera valued at Rs.176,100 purchased in the year under review had not been capitalized and as a result, fixed assets and the contribution from revenue to capital outlay account had been understated at a rate of Rs.176,100 respectively in the financial statements.
- (c). Although the amount of Rs.274,250 incurred for the purchase of electrical equipment to the Keselwatta General Cemetery in the year under review should have been shown under the recurrent expenditure the same had been capitalized under the item of expenditure 509.
- (d). Although owing to the non capitalization of an electric fan and a UPS purchased in the year under review at a cost of Rs.45,540 and Rs.16,000 respectively fixed assets and the contribution from revenue to capital outlay account had been understated by a sum of Rs.61,540.

- (e). Although the expenditure on supplies and equipment for the year under review was Rs.12,293,496 the same had been shown as Rs.12,250,503 thus understating the said expenditure by a sum of Rs.662,993.
- (f). Although the sundry expense amounting to Rs.1,102,177 paid in the year 2016 pertaining to the year under review should have been indicated as creditors having debited it to each vote the same had not been done so.
- (g). There was balance on electrical equipment amounting to Rs.95,074 and Rs.75,628 respectively in the Keselwatta and Thanthirimulla sub offices as at 01 January,2015. Although they had been consumed in the year under review the same had not been shown as issues in stores ledgers and as a result, maintenance cost of electrical equipment in the year under review had been understated by a sum of Rs.170,702 while the electrical stores balance had been overstated from the said value.
- (h). There was general stores balance amounting to Rs.2,433 and Rs.17,717 as at 01 January,2015 respectively in Keselwatta and Thanthirimulla Sub Offices. However, they had been consumed in the year under review and as a result of the same not being mentioned in the stores ledgers as issues expenses in the year under review had been understated by a sum of Rs.20,150 in financial statements while the general stores ledger had been overstated by the said amount.

#### **1.3.2 Non reconciled Control Accounts**

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Balance pertaining to 04 items of accounts was Rs.144,063,209 but the balance according to the schedules pertaining to them was Rs.70,008,816 and as a result, a difference of Rs.74,054,393 was observed.

#### **1.3.3 Lack of Evidence for Audit**

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Balance of four accounts aggregating a sum of Rs.74,482,581 could not be satisfactorily vouched in Audit due to the non availability of detailed schedules.

#### **1.3.4 Accounts Receivable and Payable**

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There were street lamp grants balance of Rs.7,437,096 being brought forward for years, previous balance of payments amounting to Rs.1,717,893 and deposits amounting to Rs.1,500,000.

#### **1.3.5 Non Compliance with Laws, Rules and Regulations .etc.**

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Even though action should have been taken to pay or take to the revenue as regards the cheques remaining uncashed for more than 06 months from the date of issue in terms of Financial Regulations of the Republic of Sri Lanka F.R.396 (d) no action had been taken regarding 08 cheques valued at Rs.22,139 in the Bank Reconciliation Statement prepared as at 31 December, 2015, in terms of the Financial Regulations.

## **2. Financial and Operational Review**

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### **2.1. Financial Review**

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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 2015 amounted to Rs.74,790,834 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 37,292,601.

### **2.2. Revenue Administration**

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#### **2.2.1. Arrears of Revenue**

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Revenue in arrears totaling Rs.118,863,458 as at the end of the year under review had not been recovered in accordance with the provisions in Section 158 and 159 of Pradeshiya Sabha Act No.15 of 1987.

#### **2.2.2. Rates**

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- (i). There were arrears amounting to Rs.19,596,648 as at the beginning of the year under review but only a sum of Rs.7,770,549 or 40 percent had been recovered out of it.
- (ii). Revenue of rates billed during the year under review was Rs.21,555,930, but only a sum of Rs.12,156,203 or 56 per cent had been recovered out of it during the year under review.
- (iii). Out of the total balance of rates in arrears, 22 per cent i.e. a sum of Rs.4,738,336 had been brought forward more than five years. There were 4678 rate units and out of the total arrears, i.e. a sum of Rs.8,891,510 had been brought forward more than two years and the number of units pertaining to it were 12091.

#### **2.2.3. Stall Rents**

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- (i). Although there were stall rents in arrears amounting to Rs.4,127,084 as at the beginning of the year under review only a sum of Rs.537,697 or 13 per cent had been recovered out of it.
- (ii). Billing of stall rents for the year under review was Rs.2,288,370 but only a sum of Rs.1,323,760 or 58 percent had been recovered in the year.
- (iii). Progress of the total recovery of stall rents, which accounted for 16 per cent out of the total revenue in arrears, had taken a lower rate of 29 percent.

#### **2.2.4. Taxes on land sales**

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Although the Sabha shall obtain one per cent from the proceeds of the land sold by public auction or otherwise within the limits of Pradeshiya Sabha in terms of Section 154 (1) of Pradeshiya Sabha Act No.15 of 1987 the Revenue officer of the Sabha without doing so, had obtained only Rs.3,559,808 as a tax equivalent to one per cent as per the gross estimate prepared

by him from 11 land sales in the year 2015 .Therefore, action had not been taken to obtain the balance by adjusting the difference between the gross estimate and the market sale value.

#### **2.2.5. Advertising Notice Board Fees**

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According to the notification published in the Gazette No.1893 of 12<sup>th</sup> December,2014 regarding the imposition of licence fees for advertising notices /visible environment for the year 2015 within the limit of Panadura Pradeshiya Sabha,fees should have been collected as mentioned therein for erecting and displaying advertising notices within the limit of the PradeshiyaSabha, but as per the physical sampling check carried out on 25 January, 2016 in Audit the Sabha had not taken action to collect fees for 51 such advertising / name boards from which fees could be charged and which were available within the area of Wadduwa sub office in the Panadura Pradesiya Sabha.Accordingly, revenue lost to the Sabha during the year under review amounted to Rs.462, 570.

#### **2.2.6. Business Taxes**

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- (i). There was outstanding balance of Rs.723,831 as at the beginning of the year under review, but only a sum of Rs.207,360 or 29 per cent had been recovered out of it.
  - (ii). The billing for the year under review was Rs.3, 084,281, but only a sum of Rs.1, 921,771 had been recovered out of it.
  - (iii). Although the business tax billed during the year under review should have been collected during the year itself there was a business tax in arrears amounting to Rs.1, 678,981 as at the end of the year.

#### **2.2.7. Industrial Taxes**

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- (i). Business tax in arrears was Rs.224, 210 as at the beginning of the year under review.But only a sum of Rs.132, 610 or 59 per cent had been recovered out of it.
  - (ii). The billing for the year under review was Rs.599, 460 ,but only a sum of Rs.462,910 or 77 per percent had been collected out of it.

#### **2.2.8. Court Fines and Stamp Fees**

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A sum of Rs.67,571,727 was receivable from the Chief Secretary of Provincial Council and the other authorities as at 31 December in the year under review as follows.

	Rs.
Court fines	5,940,903
Stamp Fees	61,630,824

### **2.2.9. Three wheeler Parking Charges**

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Although many three wheeler parks could be seen within the limit of the Pradeshiya Sabha no By-laws had been enacted and legislated by the Sabha in order to collect charges from such parks.

## **3. Operational Review**

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### **3.1. Vehicle Control**

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The following matters are observed.

- (i). The Sabha had incurred a cost of Rs.81, 339 in excess of insurance claims with regard to 4 vehicles accidents which had occurred in the year under review.
- (ii). When undertaking repairs to the vehicles of the Sabha (especially engine repairs) recommendation of an engineer in that regard is required. However no such recommendations had been obtained for carrying out repairs /purchase of spare parts at a cost of Rs.535, 794.
- (iii). According to the vehicle schedule provided by the Sabha to Audit, it had been mentioned that whereabouts of six vehicles could not be traced. However, necessary action had not been taken by the Sabha to establish the availability of such vehicles.
- (iv). It was observed in the Audit that a tractor belonging to the Sabha was not used for running purpose while three trailers and three iron frames dismantled from trailers were corroding at the premises of the Wadduwa Office.

### **3.2. Operational Inefficiencies**

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Action had not been taken to recover outstanding loan balance of Rs.187, 198 due to the Sabha as at 31 December, 2015 from the deceased, those who went on transfers and retired employees even up to the audited day of 20 June, 2016.

### **3.3 Human Resources Management**

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The officer in charge of the Keselwatta Sub Office had informed the Secretary of the Sabha in writing on 11 March ,2015 that two employees acting as the Councilors of Moratuwa Municipality attached to the Keselwatta Sub Office were used to come and go out having signed the attendance register and then sign the departure after coming back to the office in the evening without working in the office and that they had not placed the finger mark on the finger print machine.

The officer in charge had informed the Secretary of the Sabha by his letter dated 16 September,2015 that among them a driver attached to the Keselwatta Sub Office with effect from

18 February,2015 was not remaining in office on any day and also the Sabha hadn't get any work performed from him so that payment of his salary could not be recommended.

However, a sum of Rs.348, 173 had been paid to the said officer during the period from 09 February, 2015 to October,2015 by the Sabha.

(b).Approved and actual cadre details of the Sabha as at 31 December, 2015 are as follows.

	Approved	Actual	Excess	Vacant
Staff Grade	01	01	--	---
Secondary	59	53	01	07
Junior	173	168	02	07
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	<u>233</u>	<u>222</u>	<u>03</u>	<u>14</u>

### 3.4. Improper Transactions

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- (a). Although the total advance to be paid for any activity shall not exceed 20 per cent of the total estimate in terms of Section 5.4.4(1) of the Government Procurement Guidelines, in contrary to the said provisions 50 percent i.e. a sum of Rs.69,500 had been paid for obtaining supervising and consultancy services for construction, on 27 July,2015.
- (b). Even though any ayurvedic medical centre or clinic was not available within the limit of the PanaduraPradeshiyaSabha anAyurvedicdoctor attached to the BulathsinhalaPradesiyaSabha had been attached to the PanaduraPradeshiya Sabha for 3 days per week with effect from21 April,2015.

### 3.5. Contract Administration

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Although, according to the Public Finance Circular No. 1/2012 dated 05 January 2012, when assigning direct contracts to community based societies, those societies should not engage in more than 3 contracts, contrary to that, 04 contracts had been done by 02 particular societies during a same period.

## 4. Systems and Controls

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

- (a). Accounting
- (b). Budgetary Control
- (c). Revenue Administration
- (d). Vehicle Control
- (e). Contract Administration
- (f). Human Resources Management