

**Panvila Pradeshiya Sabha**  
**Kandy 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 the Audit on 28 March 2016 while 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 issued to the Secretary of the Sabha on 15 June 2016.

**1.2 Qualified Opinion**

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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 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

**1.3 Comments on Financial Statements**

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**1.3.1 Accounting Deficiencies**

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The value of Library Books amounting to Rs. 1,409,710 as at 31 December 2015 according to the Register of Handling due to that amount had been shown as Rs. 1,394,501 in the financial statements Library Books had been understated by Rs. 15,209.

**1.3.2 Accounts Receivable**

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While the value of 16 Accounts Receivable balances as at 31 December 2015 was Rs. 8,558,552. Out of that account balances aggregating Rs. 2,010,324 had been outstanding over 05 years and account balances that had been outstanding over 01 year to 05 years were Rs. 3,010,864.

**1.3.3 Accounts Payable**

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While the value of 02 Creditor balances as at year under review was Rs. 8,571,548. Out of that account balances aggregating Rs. 2,708,041 had been outstanding over 05 years and account balances that had been outstanding over 01 year to 05 years were Rs. 2,636,879.

#### 1.3.4 Lack of Evidence for Audit

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Thirty four lots of Land amounting to Rs. 6,210,435 could not be verified satisfactorily in audit due to non-presenting of title deeds, transfer orders and plans to confirm the ownership to audit.

#### 1.3.5 Non-compliance with Laws, Rules and Regulations etc.

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Following instances of non-compliance were observed.

<b>Reference to laws, rules and regulations etc.</b>	<b>Non-compliance</b>
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(a) Circulars -----	
(i) Treasury Circular No. IAI/2002/02 dated 28 November 2002.	Separate register had not been maintained for Computers.
(ii) Circular No. CPC/DS06/06/02 dated 11 April 2003 of the Chief Secretary of the Central Province	Actions had not been taken to get security deposit of Rs. 34,000 from 10 officers.
(iii) Circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government,	The assessment of shop rent should be revised once in 05 years, new assessment had not been made by the Sabha after the year 2009
(b) Other -----	
Government Gazette Notification No.1896 of 02 January 2015.	It was revealed in the field inspection made surrounding the clock tower in Panvila city that, charges for 89 Notice Boards for Rs. 72,177 had not been charged.

## 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 Council for the year ended 31 December 2015 amounted to Rs. 1,857,121 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 390,146. Accordingly, an improvement in a sum of Rs. 1,466,975 was observed in the financial results.

## 2.2 Revenue Administration

### 2.2.1 Performance in Revenue Collection

Information furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review and the previous year are shown below.

Item of Revenue	as at 01.01.2015		Year 2015			Receipt of 2015			Arrears as at 31.12.2015
	Arrears	Receipt in Advance	Billings	Surcharges	Discount Given/Write Off	Receipt in Advance	Receipt from Arrears	Receipt from Billings	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	580,102	93,230	889,758	54,151	40,079	113,665	405,887	724,016	374,465
Rent	58,300	--	360,000	15,900	--	--	55,100	329,600	49,500
License Fees	39,300	--	1,434,100	--	--	4,000	31,300	1,424,600	21,500
Other Income	1,505,015	2,905	2,633,308	4,604	--	3,970	1,241,304	1,252,011	1,650,677
<b>Total</b>									<b>2,096,142</b>

The total revenue balance of Rs. 2,096,142 was in arrears as at the end of the year under review.

### 2.2.2 Rates

Following matters were observed.

- An arrears rates as at 31 December 2015 was Rs. 322,239, and this outstanding was a period ranging from 01 year to 12 years. Actions had not been taken in this regard as per the paragraph 158 of Pradeshiya Sabha Act No. 15 of 1987.
- Receivable outstanding from 06 Government Institutions as at 31 December 2015 was Rs. 36,078 and this outstanding was a period ranging from 03 months to 07 years. Actions had not been taken to recover this outstanding amount.

### 2.2.3 Other Revenue

#### (a) Water Charges

Following matters were observed.

- While there was an outstanding water charges balance of Rs. 186,510 as at 01 January 2015, billings for the year under review had been Rs. 711,625.

Out of them, recoveries during the year under review were only Rs. 135,021 and 518,415 respectively. The percentage of recovery during the year out of those balances had been 72 per cent and action had not been taken in this regard in terms of Sections 158 of the Pradeshiya Sabha Act No. 15 of 1987.

- (ii) Total water consumers with relate to water schemes of the Sabha was amounting to 597 and fixed line charges had been charged without installing the water meters.

**(b) Acreage Tax**

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Acreage tax outstanding balance as at 01 January 2015 was Rs. 50,612 and out of that only a sum of Rs. 18,366 had been recovered even as at 31 December 2015. As a percentage it was 36 percent. Therefore recoveries of outstanding Acreage tax were in poor level. Also, that balance of outstanding Acreage tax as at 31 December was Rs. 52,226 and, this outstanding was remained for a period ranging from 01 year to 15 years.

**(c) Three Wheel Charges**

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The outstanding Three Wheel Charges as at 01 January 2015 was Rs. 127,950 and, billing up to 31 December 2015 was Rs. 170,000. Out of that only a sum of Rs. 60,410 and Rs. 43,490 respectively had been recovered even as at 31 December 2015. As a percentage these were 47 percent and 25 percent respectively. Therefore, recoveries of Three Wheel Charges were in poor level, and a sum of Rs. 149,050 had been outstanding from 103 Three Wheelers registered as at 31 December 2015, and this outstanding was ranging a period from 01 year to 03 years. Actions had not been taken to recover this amount.

**(d) Publicity Advertisements Boards Charges**

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The outstanding Publicity Advertisements Boards Charges as at 01 January 2015 was Rs. 81,027, and out of that only a sum of Rs. 14,940 had been recovered even as at 31 December 2015. As a percentage it was 18 percent. Billing for Publicity Advertisements Boards Charges for the year 2015 was Rs. 135,427, and none of this amount had been recovered. Therefore, recoveries of Publicity Advertisements Boards Charges were in poor level.

### **3. Operating Review**

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#### **3.1 Performance Evaluation**

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Though the budget should be prepared from the proper estimate values taken from the technical officers for the projects to be implemented in the upcoming year from the priority preparation for the development proposals given in the previous year, without doing so, the budget estimates had been prepared and approved by considering the gross amount of Rs. 10,4831,000 for building improvements and roads developments.

#### **3.2 Operational Inefficiencies**

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Following matters were observed.

- (a) Little space nearly 01 acre of the land in Morahela area and Huluganga area had been used to dump wastes and actions had not been taken to utilized the rest of land for an effective activity.
- (b) Five unauthorized constructions were observed in the test checks carried out on unauthorized constructions in many places on 02 December 2015, and actions had not been taken to authorize those constructions by charging relevant charges on them or if it is unable to do so, to follow legal proceedings.

#### **3.3 Solid Waste Management**

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Actions should be taken to discard wastes by sorting as crumble or not, without following proper measure to sort as crumble or not, entire wastes had been dumped into the areas in Morahela and Huluganga. Also, it was revealed in physical verification made on 02 December that being a slope in very close to the main road would be badly impacted to the water routes in the low areas by rushing the garbage with rain water.

#### **3.4 Environmental Issues**

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Following matters were observed.

- (a) Though surrounding of the dumping area was with effluvium, actions had not been taken in this regard.
- (b) Marketable waste collecting unauthorized center has been being functioned in the land adjoining to Morahela waste dumping land, and it was observed that, rain water has been gathering in containers and plastic pieces there as those were in open. The tendency of health issues was caused.
- (c) Huge environmental issues had been created due to dumping waste without managing properly, to the land popular as rain forest with bio diversity situated nearby the world heritage of Nakals reservation.

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

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##### **4.1 Budgetary Control**

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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 15 per cent to 97 per cent in 04 items of revenue and variations from 17 per cent to 95 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

##### **4.2 Internal Audit**

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Actions had not been taken to present internal audit reports to Auditor General.

##### **4.3 Assets Management**

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

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Dump Truck and Tailor amounting to Rs 6,035,600 were remained under-utilized and 02 Motor Cycles and Hand Tractor amounting to Rs. 525,000 were remained idle during a period between 01 to 09 years.

#### **5. Systems and Controls**

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

- (a) Internal Controls
- (b) Accounting
- (c) Revenue Administration
- (d) Assets Management
- (e) Debtor / Creditor Control
- (f) Contract Administration