

Puttlam Pradeshiya Sabha

Puttlam District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Auditor General on 26 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 20 July 2016.

1.2 Qualified Opinion

Except for the effects on financial statements 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 Puttlam 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 accounting deficiencies are observed.

(a) Duplicating of a Tractor and Tipper, total value of which being Rs.10,100,000 in the vehicle register, non deletion of a Cab and other accessories valued at Rs.1,533,495 (that had been disposed of) from assets and recurrent expenditure totaling 69,070 having brought to account as capital expenditure had resulted in the overstatement of the value of fixed assets by similar amounts.

(b) Cab bearing No.56-4650, the value of which had been assessed to Rs.2,000,000 had not been included in assets.

1.3.2 Unreconciled Control Accounts

According to financial statements presented applicable to the year under review, the balance was amounted to Rs.10,789,698. However, according to supportive documents those value had been Rs.6,763,641 leading to a variance of Rs.4,026,057. Although the balance payable to Local Credit and Development Fund amounted to Rs.26,263,222 it had been stated as Rs.30,828,200 in the balance confirmation letter.

1.3.3 Accounts Receivable

Total of the account balance receivable amounted to Rs.10,268,976 of which the balance remaining over a period 01 year had been Rs.9,505,039. The value of current assets being brought forward over several years amounted to Rs.952,980.

1.3.4 Staff Loans Recoverable

The staff loan balance recoverable as at 31 December 2015 amounted to Rs.3,881,500 while a loan amount of Rs.46,568 recoverable from 11 employees having vacated the post, transferred, died or retired had been remained unrecovered over a number of years.

1.3.5 Lack of Evidence for Auditing

Account balance totaling Rs.52,978,405 could not be satisfactorily verify at the account balance auditing due to non submission of information required for audit.

1.3.6 Non Compliance with Laws, Rules and Regulations

Action had not been taken to properly recover court fines, stamp fees and lease rent recoverable to the Pradeshiya Sabha as per Section 129 (2) (a) and (f) of the Pradeshiya Sabha Act No.15 of 1987.

1.3.7 Inappropriate Disclosure

Rs.218,265 valued street lamp equipment stock at the end of the year under review had been shown in the document stock.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over income for the year ended 31 December 2015 amounted to Rs.11,576,410 as against the excess of income over recurrent expenditure amounted to Rs.3,401,064.

2.2 Analytical Financial Review

----- Structure of Expenditure -----

Budgeted and actual expenditure of the Sabha along with relevant variance during the year under review are indicated below.

Item of Expenditure	Budgeted	Actual	Variance
	Rs.	Rs.	Rs.
	'000	'000	'000
<u>Recurrent Expenditure</u>			
Personal emoluments	76,404	42,979	33,425
Other	37,302	17,678	19,624
Sub total	113,706	60,657	53,049
Capital Expenditure	142,000	16,237	125,763
Grand Total	255,706	76,894	178,812

During the year under review 44% of the estimated sum for personal emoluments and 53% of the estimated amount for other expenditure had been saved while 89% of the estimated amount for capital expenditure had also been saved. Accordingly over estimates had been prepared by the Pradeshiya Sabha.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

The following observations are made:

- (a) Information on estimated revenue, actual revenue and revenue in arrears submitted by the Pradeshiya Sabha with regard to the year under review are shown below;

Item of Revenue	Estimated	Actual	Acumulative arrears as at 31 Dec.
	Rs.	Rs.	Rs.
	'000	'000	'000
Rates & Taxes	8,000	1,284	3,552
Lease Rent, Stall Rent	13,000	7,355	6,093
Licence fees	5,500	3,954	904

Backwardness was shown in the recovery of all types of revenue such as rates and taxes, lease rent/stall rent and licence fees during the year under review when compared with the previous year. In parallel to the same, arrears of revenue too had been increased.

(b) Progress in the recovery of revenue in arrears and billed revenue by the Sabha during the year under review are as follows;

Item of Revenue	Arrears of revenue as at 01.01.2015	Recovery from arrears	Percentage of recovery of arrears	Billed revenue during the year	Recovery from billed revenue	Percentage of recovery
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	Rs. '000	Rs. '000	%	Rs. '000	Rs. '000	%
Rates & Taxes	3,235	450	14	1,163	421	36
Acreage Tax	254	17	07	121	99	82
Lease Rent	4,226	--	--	5,772	5,772	100
Stall Rent	693	--	--	802	769	96
Trade Licence	903	--	--	3,953	3,953	100

As the collection of rates and taxes having remained at low ebb arrears of revenue had been increased year by year.

2.3.2 Court Fines & Stamp fees

Out of the court fine revenue of Rs.12,000,000 estimated for the year under review, Rs.8,752,567 had been received from January to October. Further of the revenue, Rs.8,000,000 estimated from stamp fees for the year, stamp fees amounting to Rs.3,908,518 had been received by the Sabha during the period only from January to April.

3. Operating Review

3.1 Management Inefficiencies

(a) Although the Motor Grader bearing No.RS – 1556 owned by the Pradeshiya Sabha had been hired to private sector and other state institutions, responsible officers of the Sabha had not taken action to recover Rs.253,627 and Rs.327,644 respectively from 2009 up to end of 2014 totaling Rs.581,271. During confirmations of balance at auditing, a number of institutions and individuals have confirmed that certain balances were not to be paid. Further Postal Department had confirmed the inability to find certain address.

3.2 Operating Inefficiencies

Following observations are made:

- (a) Although semi annual revenue in arrears reports should be submitted to the Auditor General as per Provincial Financial Rule 97.4, this rule had not been adhered to.
- (b) Although rates and tax assessment shall be effected once in every 05 years, the Pradeshiya Sabha continued to recover rates and taxes based on the assessment carried out in 2006 whereby depriving the Sabha of having earned colossal amount of self generated income.
- (c) Although 06 plasticheshel water tanks one valued at Rs.11,500 had been donated to the Sabha by a non governmental organization, information on which had not been documented in the Sabha. In view of the fact that their inability to reveal places of location of those water tanks it was observed that water tanks valued at Rs.69,000 had been misused.

3.3 Construction of Solid Waste Management Centre

According to the Memorandum of Understanding signed between the Central Environmental Authority and the Pradeshiya Sabha under Pilisaru National Solid Waste Management Project, a sum of Rs.8,400,000 had been approved for construction of the Solid Waste Management Centre. The Central Environmental Authority had made available a sum of Rs.2,050,144 to the Sabha. Accordingly the Pradeshiya Sabha had paid Rs.2,028,756 to the contractor for undertaking constructions. However the project had been abandoned with the site having been exposed to the invading elements and natural disasters. Accordingly it had been identified that the expenditure of Rs.2,028,756 as fruitless expenditure.

It was observed that at present solid wastes are being dumped on to a open land owned by the Sabha.

3.4 Human Resources Management

Approved and Actual Cadre

Five (05) posts in the secondary grade of the Sabha remained vacant as at 31 December 2015 while 28 posts in the primary grade were in excess.

4. Good Governance and Accountability

4.1 Internal Auditing

In addition to Internal Audit officers appointed by the Sabha, internal auditing had been conducted by the Provincial Investigation Officers as well throughout the year and reports submitted.

4.2 Audit and Management Committee Meetings

As per audit committee letter No. NW/Chief/Sec/05/03 dated 05 October 2010 of the Chief Secretary, North Western PC, although one audit committee meeting should be held per one quarter, none was held during the year under review.

4.3 Idle and Under Utilized Physical Resources

Three Land Masters bearing No.SF-9945, SF-9114 and SB-8201, total value of which being Rs.467,800 had been remained idle during a period from 04-06 years

5. Systems and Controls

Special attention of the Sabha is drawn to the following fields of systems and controls:

- (a) Revenue Administration
- (b) Accounting
- (c) Utilization of Vehicles