

Pallepola Pradeshiya Saba

-----  
Matale District  
-----

1. Financial Statements  
-----

1.1 Presentation of Financial Statements  
-----

The financial statements for the year under review had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016.

1.2 Qualified Opinion  
-----

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Pallepola Pradeshiya Saba as at 31 December 2016 and its financial performance for the year then ended are in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements  
-----

1.3.1 Accounting Deficiencies  
-----

The following accounting deficiencies are observed in audit.

- (a) An amount of Rs.406,739 payable to a private organization for repairing the backo machine. Aforesaid amount had not been brought in to account by identifying the parties who must recover it.
- (b) Revenue amounting to Rs.3,387,151 of 3 revenue items had been understated.
- (c) Salary reimbursement amounted to Rs. 2,419,225 had been over stated.
- (d) 13.5 acres 5 rudes and 61 perches of lands relating to Sabha own 10 land units had been stated in the fixed asset register. Value of aforesaid lands had not been assessed and brought in to account. Further the aggregate value of 2 buildings which do not have a physical existence amounted to Rs. 144,844 had been overstated.
- (e) The aggregate value of 3 buildings amounted to Rs. 5,002,061 had been understated.
- (f) Whether the capital expenditure for the year under review amounted to Rs.15,890,029 it had been stated in accounts as Rs. 15,027,153. Thus the capital expenditure had been understated by Rs.862,876.
- (g) The receivable and payable amount of Rs.193,625 relating to partly constructed 2 buildings had been overstated.

1.3.2 Un reconciled Control Accounts  
-----

The balances relating to miscellaneous creditors as per financial statements, and the value appearing in the related subsidiary registers differed by Rs.111,723.

1.3.3 Accounts Receivable  
-----

The balances of 8 accounts receivable aggregated to Rs.18,739,452. The balances of Rs.2,482,878 remaining unsettled for over 3 years had been included therein.

1.3.4 Accounts Payable  
-----

The balances of 10 accounts payable at the end of the year under review amounted to Rs.16,370,815. The balances of Rs.2,386,628 remaining unsettled over 3 years had been included therein.

1.3.5 Lack of Evidence for Audit  
-----

Four items of accounts aggregating Rs.81,872,736 could not be satisfactorily vouched in audit due to non- rendition of adequate evidence.

1.3.6 Non-compliance with Laws, Rules ,Regulations etc.,  
-----

The following instances of non-compliances with laws, rules, regulations etc., were observed in audit.

Reference to Laws , Rules,  
Regulations etc.,  
-----

Non –compliance  
-----

(a) Section No. 7 of the Stamp Duty Act(Special Provisions) No.12 of 2006

Stamp duty amounting to Rs.56,605 collected within year 2015 and 2016 had been retained in the general deposit account.

(b) 1988 Pradeshiya Sabha (Finance and Administration) Rule 218

Survey of land and buildings had not been carried out after 1987.

(c) Circulars and Others  
-----

(i)Segment No vi of the Circular No 3/2014(i) dated 10 March 2015 Secretary of the Treasury and Letter No 3/2/1/23 dated 26 August 2015 Of the Commissioner of Central Province Local Government.

Whether telephone bills incurred more than Rs.2,000 could be reimbursed by presenting bills up to Rs.4,000, without presenting such bills Rs. 4,000 allowance had been affixed to Sabha Secretary's salary. Accordingly an overpayment of Rs.20,000 had been made in year 2016 against the given advises.

(ii) Circular No.1988/22 dated 17 May 1988 of Department of Local Government.

Without doing a re-assessment Rates and Taxes had been billed based on year 2005 assessment.

## 2 Financial Review

-----

### 2.1 Financial Results

-----

According to the financial statements presented, the revenue over recurrent expenditure of the sabha for the year ended 31 December 2016 amounted to Rs.7,247,516 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.6,629,934 resulting in an improvement in financial results of the year under review by Rs.617,582.

### 2.2 Analytical Financial Review

-----

Increase in revenue by Rs.4,880,566 in 3 items of revenue particularly affected the improvement in financial results by Rs.617,582 .

### 2.3 Revenue Administration

-----

#### 2.3.1 Performance in Collection of Revenue

-----

The following matters are observed

- (a) Sales tax on a land sale conducted on year 2010 amounted to Rs.38,625 had not been recovered.
- (b) Fines charged on sathipola rent arrears amounting to Rs.18,800 and trade stall rent arrears amounting to Rs.21,600 had not been recovered.

#### 2.3.2 Rates

-----

The arrears of rates amounted to Rs.130,681, this included a balance over 3 years amounting to Rs.26,799.

#### 2.3.3 Acreage Tax

-----

The arrears of acreages tax amounted to Rs.34,542 as at the end of the year under review.

#### 2.3.4 Court Fines and Stamp Fees

-----

Court Fines of Rs.939,195 and stamp fees of Rs.6,080,769 remained recoverable from the Chief Secretary of Provincial Council and other authorities as at 31 December 2016 of the year under review. The balances of Rs.825,857 stamp fees and Rs.22,501 of court fines remaining unsettled over 3 years had been included therein.

### 3. Operating Review

-----

#### 3.1 Management Inefficiencies

-----

The following matters are observed

- (a) According to the court decision given on 29 April 2016 to a case. Sabha had to recover the lawyer fees amounting to Rs.241,770 from the plaintiff .However any action had not been taken to recover that amount.
- (b) The crew cab that holds the No LL-7660 and the cab that holds the No PF-7375 which given to the Sabha on year 2014/2015 had not been undertaken by the Sabha.
- (c) Out of the 137 approved building applications approved within the year under review and prior years, only 12 applications had been issued with Compliance certificates under the section No.21 of Urban Development Authority Act No. 41 of year 1978.
- (d) According to the sub section No. 24(1) of Pradeshiya Sabha Act No 17 of 1987 it had been published in the gazette regarding to the roads in the authoritative area of the sabha. According to the section No 24(3) of the Act it must be re published in the gazette within the proper time. However due to not taking any action to do so, it had been incapable to met the requirements in the Act regarding the roads of the Sabha.Further a register on roads had not been maintained.
- (e) 11 vacancies exist with regard to 4 posts,and 7 employees in excess with regard to 5 posts in the Sabha.

#### 3.2 Operating Inefficiencies

-----

Without preparing the building facility, Rs.1,249,840 worth 10 computers ,3 printers, multimedia projector, Duplo machine and 10 computer chairs had been purchased for establishment of an information center .Accordingly without occupying the equipment for the relevant activity those had been used in several sections of the sabha and 2 computers amounting to Rs.153,744 had been kept in the stores without any use.

#### 3.3 Idle and Under Utilized Assets

-----

The following matters are observed.

- (a) Four vehicles own by the Sabha had been idle from 2 to 9 years.
- (b) The construction materials amounted to Rs.43,040 purchased on 12 December 2014 for the construction of a boundary fence of cemetery had been kept idle without using for that purpose.
- (c) Values of inactive chlorinator amounting to Rs.145,000, 2 photocopy machines amounting to Rs.149,000 and Rs.106,030, and 4 water pump amounting to Rs.878,200 which included in the plant and machinery value as at the end of the year under review, had been kept in the stores. Further concrete mixture amounted to Rs.143,000 received on year 2016, had not been used so far.

### 3.4 Identified Losses

-----

The following matters are observed.

- (a) Under the provisions made by Ministry of Environment and Renewable Energy, Giant Mimosa project had been executed in year 2014 and 2015. Even though Sabha had spent Rs.1,119,479 on this project. The Divisional Secretary had reimbursed only Rs. 891,000, due to the unsuccessfulness of the project. On 9 September 2015 the Divisional Secretary had sent back the rest of the funds to the ministry. Accordingly Rs. 228,479 which had not been reimbursed, was a loss for the Sabha fund.
- (b) Eight permanent appointments for six posts had been presented and later the appointments were cancelled on 11 December 2015. Due to that those eight workers filed a case on 1 March 2016 against the sabha on Supreme Court. Lawyer fees amounting to Rs.500,000 had been borne by the sabha which was an in vain expense due to taking action against circulars and without having proper advice.
- (c) When making the final payment for the construction of land and fence of the T.B Thennakoon Memorial children's park the advance paid had not been set off. Accordingly the amount of Rs. 60,000 which could not set off yet, had been a loss for the Sabha fund.

### 3.5 Contract Administration

-----

The following matters are observed.

- (a) Construction of a Deep Tube Well in Maningamuwa and Fixing Water Pump and Accessories.

-----  
 To execute above mentioned project with provisions amounting to Rs.1,200,000, the Sabha had entered in to an agreement with a community base society. After purchasing tube well equipment amounting to Rs. 512,500 the well had been constructed in a place apart from the agreed place. As a result of not giving a proper supervision by the Sabha the provisions could not be utilized efficiently.

- (b) Rehabilitation of the Information Technology Center Building

-----  
 Sabha had entered in to an agreement with a private company to execute above project for an amount of Rs.1,246,622, and had paid an advance of Rs. 249,324. However after finishing a part of work amounted to Rs. 169,128 constructions had been terminated. Due to that the Sabha had to incur a loss amounted to Rs.80,196. Further it had to recover a late charge amounted to Rs.119,987 as per the agreement.

### 3.6 Delays in Projects

-----

The following matters are observed.

- (a) Provisions amounting to Rs. 900,000 had been made under Strengthening of Pradeshiya Sabha Program for 3 construction works which intended to execute within year

2015. However even until 31 December 2016 only a work amounted to Rs. 303,056 had been completed.

- (b) Two projects approved to execute in year 2016 under Strengthening of Pradeshiya Sabha program with the provisions amounted to Rs. 800,000 had not been executed.

### 3.7 Solid waste management

-----

A compost yard and store room had been constructed for the waste management process, by spending Rs.1,329,560 under the Provincial Specific Development Grants of year 2015 and year 2016. However it had not been activated and one metric ton of garbage collected daily within the area had been retained in the waste dumping land.

## 4 Accountability and Good Governance

-----

### 4.1 Audit and Management Committee

-----

One Audit and Management Committee meeting had been held during the year under review.

### 4.2 Budgetary Control

-----

- (a) Target revenue of 11 items ranging from 29 to 91 percent had not been earned and variance ranging from 34 to 98 percent existed between the net provision and actual expenditure of 15 expenditure items.
- (b) Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the transfer of provisions among the items of revenue and expenditure during the year under review showing that the budget had not been utilized as an effective instrument of management control.

## 5. Systems and Controls

-----

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

- (a) Debtors' and Creditors' control.
- (b) Assets Management.
- (c) Budgetary Control.
- (d) Vehicle Control.