

Pathahewahata Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of financial statements

The financial statements for the year under review had been presented for audit on 05 May 2017 and the financial statements for the preceding year had been presented on 28 March 2016 for the audit.

1.2 Qualified Opinion

I am of opinion that, except the effect on the financial statements of the matters referred to in paragraph 1.3 on this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Pathahewahata Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

1.3 Comments on the Financial Statements

1.3.1 Accounting Deficiencies

A payable amount of Rs.76,415 that had due to the construction of the road that walking to the Bellwood Aesthetic Residence as at 31 December in the year under review, had been accounted twice under the creditors on revised financial statements.

1.3.2 Un Reconciled Control Accounts

Discrepancies totalling Rs.6,613,394 were observed relating to the 04 items of accounts while the total of balances was Rs.16,828,280 according to the control accounts, but it shows totalling Rs.10,214,886 according to the relevant subsidiary registers.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

While the total of 08 balances as at 31 December 2016 amounted to Rs.82,778,319, a balance that had elapsed more 05 years amounting to Rs.10,188,479 had been included therein.

(b) Accounts Payable

While an amount of Rs.22,325,137 was industrial creditors of the total payable amount of Rs.32,365,767 relating for 02 items of accounts, a balance that had elapsed more than 01 year amounting to Rs.6,639,416 had been included therein.

1.3.4 Lack of Documentary Evidence for Audit

Transactions totalling Rs.12,863,223 relevant to 05 items of accounts could not be satisfactory vouched in audit, due to non submission of required information to audit.

1.3.5 Non-Compliance with Laws, Rules and Regulations

Following instances of noncompliance with laws, rules, regulations were observed in the audit.

Reference to Laws, Rules and Regulations -----	Non Compliance -----
(a) Section 24 of Pradeshiya Sabha act no 15 of 1987	It had not updated or maintained the road inventory.
(b) Pradeshiya Sabha (financial and administration) Rules of 1988 -----	
(i) Rule 99	It had been paid for 57 vouchers worth of Rs.1,121,459 related to the month of January, February and December of the year under review, without certifying.
(ii) Rule 207 and 208	It had been purchased Electric and water equipments and other materials worth Of Rs.532,757 in 07 times without following formal tender procedure.
(iii) Rule 218	Any actions had not been taken to protect the all the lands and buildings of Sabha through committed a yearly investigation.
(c) Circulars -----	
(i) Circular No. b/7/5/4/11 dated 30 May 2006 of the Ministry of Public Administrations and Home Affairs.	Although the official time of peons and labours is 8.00am to 16.45, the time had revised as from 8.00am to 16.15pm at the congress meeting held on 31 August 2013 by deploying them in two unrelated other works.
(ii) Volume ix of the circular No.05 /01/119 dated 26 February 1992 of Director General of Urban Development Authority.	A sum of Rs.228,000 had paid as committee allowances within the year for committee meetings that hold in office time.

(iii) Circular no 1980/46 of commissioner of provincial administration dated on 31 December 1980

any actions had not been taken to renew the lease agreements of 12 lease holders who owned stalls at the Delthota common market that had entered to agreements in the years 1994,1995 and 2008.

2 Financial Review

2.1 Financial Results

According to the revised financial statement presented, excess of revenue over recurrent expenditure of Sabhafor the year ended 31 December 2016 amounted to Rs.33,941,501 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.16,481,289. When compared with the preceding year, an increase of Rs.17,460,212 was shown in the financial results for the year under review.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

A balance of revenue in arrears of Rs.58, 667,352 had been to be earned as at 31 December in the year under review from the revenue items of rates, lease rent, license fee and other.

2.2.2 Rates

The following matters are observed.

- (a) While the balance of rates in arrears amounted to Rs.4,975,244 as at 01 January of the year under review, a sum of Rs.408,963 thereof had been recovered in the year. While the billed rates income in the year amounted to Rs.2,657,975, a sum of Rs.1,565,819 thereof had been recovered. While the percentage of recovery from arrears and billed amount was 8 percent and 58 percent respectively, and the balance rates income in arrears amounted to Rs.5,658,437 as at 31 December in the year under review.
- (b) The rates had recovered also in the year under review on the basis of assessment of the year 2008.
- (c) Actions had not been taken to recover an arrears balance of Rs.997, 598 that had receivable from 09 government entities during the period over 10 years.

2.2.3 Lease Rent

The following matters are observed.

- (a) Actions had not been taken to recover a rental amount of Rs.231,410 that had receivable from the trade stall no.03 in Thalathuoya that came down from 08 years until 31 December of the year under review.

- (b) According to the financial statements of the year under review, although it had been presented the arrears rental of meat shops as Rs.706,067, it was a sum of Rs.744,812 according to the revenue analytical reports that had given in the audit. However, there was an amount in arrears of Rs.842,632 at the last day of the year under review when examining the relevant stalls' documents.

2.2.4 Other Income

(a) Water Charges

A fixed fee had been charged in 05 water projects of the Pradeshiya Sabha without fixing water meters. A balance of water arrears charges of Rs.14,341,165 had to be recovered at 31 December of the year under review.

(b) Acreage Tax

While the balance of acreage tax in arrears amounted to Rs.1,023,444, this balance was coming down from the year 2013.

2.2.5 Court Fines and Stamp Fees

A sum of Rs.1,424,904 of court fines and a sum of Rs.33,852,820 of stamp fees were due to be recovered as at 31 December 2016 from the Chief Secretary of the Provincial Council and other authorities. Also, it had included a stamp fee of Rs.3,743,497 that had to be recovered, relevant to the period of the year from 2009 to 2013.

3. Operational Review

3.1 Performance

- (a) although 18 industries had approved by presenting 26 projects worth of Rs. 5,735,000 to the commissioner of provincial administration after recognizing and plan to carried out in the year under review under the Sabha fund, 4 projects from them had not been carried out in the year under review.
- (b) Hence the project selection with regardless and without identifying the necessity clearly, action had not been taken to carry out the 03 projects worth of Rs.1,900,000 that related to the program of strengthening the Pradeshiya Sabha.
- (c) It had expended only Rs.12,406,467 that was a less percentage as 23.9 on the development affairs out of recurrent revenue of Rs.51,902,400 that had earned in the year under review.
- (d) A sum of Rs.575,000 that allocated for 02 items of expenditures under public health programs of the year under review had been reserved without utilizing in the aimed activities.

3.2 Management inefficiencies

The following matters are observed.

- (a) There were 29 vacancies and 14 excess among the approval and actual work force.

- (b) 13 persons who obtained designations as peons, field workers, charley and the library helper had been deployed on responsible services such as administration, vehicle management and collective the office revenue.
- (c) An amount of Rs.31,225 had been paid as super load hence the delay of payments of the contribution for the employee trust fund in the years 2011,2012and 2013.
- (d) Although a cab of the Sabha had faced toan accident on 14 may 2015 it had not been decided the responsible parties by committed an examination according to the FR 104(4) until 09 November 2016.

3.3 Operational Inefficiencies

The following matters are observed.

- (a) Although 586 building applications had approved out of 823 applications that received in the period of time from 2014 to 2016, the certificates of compliance had been issued only for 56.
- (b) An amount of Rs.460, 800 that remained receivable from 128 three-wheelers on the reasons such as billed out the three-wheeler charges in the year 2016 on the basis of irregular information and the non payment of the three-wheeler charges by the owners, had been presented for the approval to write off from the accounts on 18 April 2017.
- (c) In the observation of common stocks, it had been existed a surplus of 06 electrical items worth Rs.71, 070 and a shortage of 06 items worth Rs.25, 580.

3.4 Idle/Underutilized Assets

A tractor and a trailer worth of Rs.1, 019,000 had been allowed to destroy and idle from the year 2013.

3.5 Solid Waste Management

Out of a quantity of 15 tons of waste that collected for a week in the area of authority of the Sabha, although the crumbly waste had used for compost production, the sifting of fertilizer had been fulfilled through a hand machine by deploying workers. Hence, non following of a proper program for sale and distribution of compost, it had been bulked a large amount of non packed compost and it had not paid attention of the Sabha for removal of imperishable garbage.

4. Accountability and Good Governance

4.1 Budget Control

The following matters are observed.

- (a) According to the budget that had made for the year under review, hence it had observed a variation in a range of 25 to 100 percent between estimated and actual 02 items of revenue and 07 items of expenditures, the budget had not been made use as an effective tool of management.

- (b) An allowance amount of Rs.5,469,500 that had allocated for 40 items of expenditures had been reserved without utilizing in the tasks.

4.2 Annual Procurement Plan

Although a sum of Rs.56,554,902 had expended on capital expenditures it had not been prepared a procurement plan.

4.3 Corporate Plan

It had not made a corporate plan as covering the year under review.

4.4 Action Plan

It had not made an action plan for the year under review.

4.5 Internal Audit

An adequate and independent internal audit had not been taken place due to the other duties had been assigned to the officer who appointed for internal audit.

5. Systems and Controls

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

- (a) Revenue Administration
- (b) Assets Management
- (c) Financial Control
- (d) Creditorsand Debtors
- (e) Stores Control
- (f) Budgetary Control