

**Poojapitiya Pradeshiya Sabha**  
**Kandy District**

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01 Financial Statements

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1.1 Presentation of Financial Statements

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Financial statements of the year under review had been presented for audit 29 March 2017 and the financial statements for the preceding year had been presented for audit on 31 March 2016.

1.2 Qualified Opinion

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I am of opinion that, except the effect on the financial statements of the matters referred in paragraph 1.3 in 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 Poojapitiya Pradeshiya Sabha as at 31 December 2016 and financial results of its operations for the year then ended.

1.3 Comments on Financial Statements

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1.3.1 Accounts Receivable and Payable

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(a) Accounts Receivable

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while the total of 04 balances of accounts receivable as at 31 December 2016 amounted to Rs.19,572,485, a balance that had elapsed period of 1 to 5 years amounting to Rs.3,829,402 had been included therein. A balance of Rs.19,207,431 had been remained receivable as at 30 April 2017 moreover.

(b) Accounts Payable

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While the value of 83 industrial creditors balance as at 31 December 2016 amounted to Rs.28,803,447, a balance that had elapsed the period of 1 to 5 years amounting to Rs.4,274,053 had been included therein.

1.3.2 Lack of Documentary Evidence for the Audit

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A general deposit amount of Rs.2,022,228 that had remained until 31 December 2016 could not be satisfactorily vouched in audit, due to non submission of documents as fit to be able for testing the balance.

1.3.3 Non Compliance with Laws, Rules and Regulations

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While the allowance for cost of living received continuously with the pension of a pensioner who had re-employ according to the section 05 of the Public Administration circular No.09/2007 dated on 11 May 2007, although it should not be received the allowance for cost of living for an employee who had re-employ, an amount of Rs.32,

062 had been paid for the period from May to December 2016 as allowance for cost of living as Rs.4,275, for each month extra for the allowance that paid for re-employ to a technical service officer who had employed on contract basis for the period of 06 months from 01 May 2015 and had expand the period.

## 2 Financial Review

### 2.1 Financial Results

According to the revised financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.11,992,559 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 8,147,059. When compared with the preceding year, an increase of Rs. 3,845,500 was shown in the financial results in the year under review.

### 2.2 Revenue Administration

#### 2.2.1 Rates

Following matters are observed.

- (a) While the balance of arrears rates amounted to Rs. 2,911,094 as at 01 January 2016, the billed amount was Rs. 3,133,016 in the year 2016. Only the sum of Rs. 1,884,838 and Rs. 1,938,663 had been recovered thereof respectively. This was a percentage of 64 percent and 62 percent. The balance of rates in arrears was amounted to Rs.2,220,609 as at 31 December 2016 and collecting revenue in arrears remained at a weak level .
- (b) Actions had not been taken to recover an arrears rate amount of Rs.80,184 that had remained receivable from Agrarian Service Department.

#### 2.2.2 Other Income

##### (a) Three Wheelers' Parking Charge

Although it had decided to charge a sum of Rs. 50 per month for three wheelers parking from one vehicle in the year under review, actions had not been taken to charge an amount of Rs.25,800 from the 43 three wheelers that had registered at 31 December 2016 by approving by-laws.

##### (b) Notice Board Charges

While an amount of Rs. 881,600 remained receivable from notice boards that established in the area of authority of the Sabha related to the 10 private entities, this amount had not been recovered during the period of 1 to 3 years.

### 2.2.3 Court Fines and Stamp Fees

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A sum of Rs. 637,841 on account of court fines and a sum of Rs. 9,191,420 on account of stamp fees were due to be recover as at 31 December 2016, from the Chief Secretary of the Provincial Council and other authorities.

## 3 Operational Review

### 3.1 Performance

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The following matters are observed.

- (a) While the recurrent revenue of the Sabha was Rs. 24,243,850 as at the last day of the year under review, it had been deployed only a sum of Rs.135,710 or 0.6 percent thereof. Accordingly, actions had not been taken to accomplish the objectives and functions regarding the section 03 of Pradeshiya Sabha Act No.15 of 1987.
- (b) Although it was a function of the Sabha that providing the latrines space facilities as the necessarily of public places that included to the area of authority of the each Sabha according to the section 85(b) of the Pradeshiya Sabha Act No. 15 of 1987,a public latrine that situated in Ankumbura town had been closed hence the overflowing of the water by the tank that had supplied the water by collecting from the natural water springs, hence it could not be supplied the essential public latrine facilities to the town of Ankumbura that stud big crowd daily.
- (c) an allowance amount of Rs. 34,000 that had allocated for 5 votes under public health program no. 2 in the year under review for accomplished the aimed functions of the section 78(1) of Pradeshiya Sabha Act No. 15 of 1987, had been reserved in hundred percent without utilizing for fulfilling the aimed functions until 31 December 2016.
- (d) Even though it is the function of every Pradeshiya Sabha is to protect and maintain all common rights and amenities risen either from every road or an open area located within the locality of the Pradeshiya Sabha,formulating the utilization ror cost overheads either the roads or open areas,taking steps for the preparation and development, provisions amounting to Rs.66,000 allocated for 05 objects under the Programme No.03 had been one hundred Percent saved by 31 December 2016 utilizing without for the execution of those functions.

### 3.2 Management Inefficiencies

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The following matters are observed.

- (a) While 12 employees had been recruited for the 03 designations that had not approved, and actions had not been taken for approved those designations.

- (b) The seven employees who had the designations such as road labour, sanitary labour, and labour, had employed on some responsible duties such as office revenue affairs, pre-school affairs and public complained affairs. Hence, it was observed that as the human resource had utilizing in the manner of informality and an amount of Rs. 2,204,339 had paid for those employees as salaries and wages in the year under review.
- (c) Although a receivable amount of Rs. 401,576 had remained receivable during the no of years under the 05 items of other revenue, actions had not been taken to recover those balances.
- (d) When comparing the approved work force with the actual workforce as at 31 of December 2016 it had observed 11 vacancies and 14 surpluses.

### 3.3 Operational Inefficiencies

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The following matters are observed.

- (a) The 66 stalls existed on the 03 shopping complexes of Poojapitiya, Ambathenna and Ankumbura, belonging to the Pradeshiya sabha and the following matters were observed in this regard.
  - (i) When lease out the stalls of the Sabha, the 06 stalls that existed on Poojapitiya shopping complex had been leased out without entering to an agreement between the 02 parties of rent holder and the Sabha.
  - (ii) According to the section 27 of the lease agreement and section 10 of the circular No.2016/3 of the Commissioner of the Local Government dated on 17 March 2016, it should not be sub leased or sold out to another party of the stalls that had leased out, 23 stalls of above 03 shopping complexes had been subleased to another parties at a monthly rental between Rs.3,000 and Rs.10,000.
  - (iii) Although the stalls none exceeding 5 days should not be closed as per the section 20 of the lease agreement. 7 stalls of these 3 complexes have been closed for more than a years.
  - (iv) Although the assessment report had issued to the Sabha on 30 May 2016, 09 September 2016 and 02 March 2015 by the department of assessment for the stalls of the above 03 shopping complexes, actions had not been taken to revise the rental until 10 January 2017.
  - (v) Lawsuits had been field against the 03 stalls of stall no.10, 11 and 12 of the Ambathenna shopping complex and as such ,those stalls had been closed from the year 2007.
- (b) Although it had been decided to charge regarding the 09 unauthorized constructions that had revealed at 31 December 2016, actions had not been taken to charge regarding those constructions until the day of 10 January 2007.

### 3.4 Transactions of Contentious Nature

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The following matters are observed regarding the informal leased out of the no.03 stall that situated in the upstairs of the Ambathenna shopping complex.

- (a) The above stall had been leased out for external party without a lease agreement.
- (b) The rental had not been charged from that stall from the year 2007. Furthermore while an amount of Rs.120, 000 had lost to the Sabha hence to could not be billed the rental by including the stall rental documents, this stalls had been used as resident by an external party from 05 March 2015.
- (c) An amount of Rs.200,000 had remained arrears for the stall had been charged from the allowance of a former councillor of the Sabha according the request that dated on 08 April 2012.
- (d) Although it should not be a finance relationship or relationship on an agreement that had carried out or had entered with the Pradeshiya Sabha or work relationship for a employee or Pradeshiya Sabha councillor according to the section 219 of the Pradeshiya Sabha act No. 15 of 1987, the arrears amount of stall No.3 had been charged from the allowance of a former councillor.

### 3.5 Idle/ Underutilized Assets

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Following matters are observed.

- (a) The 04 vehicles worth of Rs.14, 767,144 and 02 vehicles with unrecognized value had been vain and underutilized during the period of 1 to 3 years.
- (b) Although it had completed the works of a waste management centre that was constructed at a cost of Rs.2,521,700 at the date of 20 January 2015, had constructed for finance facilitating for the development affairs of Local Government institutions that had lower income, the centre had closed from that date.
- (c) While the gym of the Sabha had been closed from 14 September 2015 due to non availability of sports coacher, hence the gym equipments worth of Rs.624, 269 had been vain without utilizing.

### 3.6 Contract Administration

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The following matters are observed.

- (a) Despite the availability to carry out the development proposals that hope to carry out in the year under review by getting the approval at the beginning of the year, the Sabha had been sent 05 development proposals that had estimated worth of Rs.689,122 to the Commissioner of Local Government, for presented to the Chief Minister on the dates of 26 July 2016 and 20 May 2016. Only the 03 of them had

been carried out until 31 December 2016 even it had got the approval for all proposals.

- (b) Although it had given the approval for 16 industries with estimated value of Rs. 5,775,000 by the minister of Local Government, that hope to carry out under the Pradeshiya Sabha strengthening program, the works of 05 industries worth of Rs.1,750,000 had not been started until 31 December 2016.

#### 4 Accountability and Good Governance

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##### 4.1 Budgetary Controls

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The following matters are observed.

- (a) According to the budget that had made for the year under review, when comparing the estimated and actual revenue and expenditures, it was observed variations in a range from 28 percent to 51 percent of 05 items of revenue and 24 percent to 69 percent of 06 items of expenditures. Accordingly the budget had not been made use of as an effective tool of management.
- (b) An allowance amount of Rs.589, 500 that had allocated for 26 votes had not been utilized in hundred percent until 31 December 2016.

##### 4.2 Annual Procurement Plan

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Although an amount of Rs. 37,167,717 spent on capital expenditure by the Sabha it had not made a procurement plan for the year under review.

##### 4.3 Corporate Plan

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

##### 4.4 Action Plan

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

#### 5 Systems and Controls

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Special attention is needed on the following fields of systems and controls.

- (a) Contract Administration
- (b) Revenue Administration
- (c) Assets Management
- (d) Creditors and Debtors