

**Panvila 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 for the year under review had been submitted to the Audit on 21 March 2017 while Financial Statements relating to the preceding year had been submitted on 30 March 2016.

**1.2 Qualified Opinion**

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In my Opinion, except for the effect 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 Panvila Pradeshiya Sabhaas at 31 December 2016 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 following observations are made.

- (a) While a cost of Rs.5,088,656 which had bear for the development of land and buildings in the year under review had not been capitalized, the cost of Panvila Public Toilet had been undercapitalized by an amount of Rs. 449,998.
- (b) While the office equipment worth Rs.171,344 that had given the Council by Pura Neguma project was not capitalized, and books worth of Rs. 150,000 had donated to Huluganga library had not been accounted.
- (c) While the stamp fee of Rs.246,400 of only two months of the year under review was accounted, stamp fee revenue for the year and receivable stamp fee had not been stated on financial statements for the year by calculating or on the basis of the estimated.

**1.3.2 Accounts Receivable and Payable**

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**(a) Accounts Receivable**

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While the total of 2 balances of accounts receivable as at 31 December of the year under review amounted to Rs.10,053,921, a balances that had elapsed more than 1 to 5 years amounting to Rs.670,192 and had elapsed more than 5 years amounting to Rs.1,961,566 had been included therein according to the timely analysis on this regard.

**(b) Accounts Payable**  
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While the total balance of 02 accounts payable as at 31 December of the year under review amounted to Rs.13,162,114 , balances that had elapsed more than 1 to 5 years amounting to Rs. 857,093 and more than 5 years amounting to Rs.2,610,914 had been included therein according to the timely analysis on this regard.

**1.3.3 Lack of Documentary Evidence for the Audit**  
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Transaction totalling Rs1,771,446 could not be satisfactorily vouched in audit due to non-submission of required information to the audit.

**1.3.4 Non compliance with Laws, Rules, Regulations etc.**  
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Following instances of non-compliance with laws, rules and regulations were observed during the audit.

<b>Reference to the laws, rules and regulations</b> -----	<b>Non compliance</b> -----
(a) Section 126vii(f) and sub statement xxx of Pradeshiya Sabha act no. 15 of 1987	A revenue amount of Rs.170,607 had not been recovered from the notice boards.
(b) Section 2 of the circular no 1980/46 of commissioner of Local Government dated on 31 December 1980	The assessed rental of stalls had not been revised once in 5 years.
(c) Circular no 2016/03 of commissioner of Local Government dated on 17 March 2016. Paragraph 10	(i) Although the lease holders had earned 90 percent profit more than the rental that paid to the Sabha by revising the rental of the sub leased stalls from time to time, the money that should pay to the Sabha had not been paid.  (ii) Although the sub leasing of the stalls had totally prohibited and had gave the instructions in this regard, an amount of Rs.820,000 had been earned by 05 stalls owners by selling the stalls to other individuals through attorney licences.

**2 Financial Review**  
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**2.1 Financial Results**  
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According to the Financial Statement presented, excess of revenue over recurrent expenditures of the Sabha for the year ended 31 December 2016 amounted to Rs.4,219,513 as compared with the corresponding amount in excess of revenue over recurrent

expenditure for the preceding year amounted to Rs1,857,120. When compared with the preceding year, an increase of Rs.2,362,393 was observed in the Financial Results for the year under review.

## **2.2 Analytical Financial Review**

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Increase of the rental of the business entities and the government recurrent allowances had been basically influenced for the increase amount of Rs.2,362,393 of Financial Results.

## **2.3 Working Capital Management**

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The ratio between total current assets and total current liabilities was 1.5:1, 1.4:1 and 1:1 in the year under review and the 02 preceding years respectively.

## **2.4 Revenue Administration**

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### **2.4.1 Rates**

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Arrears rate balance as at 31 December was amounted to Rs.351,561. The amount that had elapsed a time period between 1 to 5 years amounting to Rs.108,492 and elapsed more than 5 years amounting to Rs.36,443 had been included therein.

### **2.4.2 Other Income**

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#### **(a) Three Wheeler Parking Charges**

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While the arrears three wheeler parking charges balance as at 31 December of the year under review was amounted to Rs.288, 050. The amount that had elapsed 1 year amounting to Rs.149,050 had been included therein.

#### **(b) Acreage Taxes**

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While the balance of arrears acreage taxes amounted to Rs.52,225 at the beginning of the year under review, and the billed amount was Rs.37,772 during the year. Only the sum of Rs. 8,142 and Rs.16,579 had been recovered thereof respectively. This was more less percentages as 15 percent and 43 percent.

#### **(c) Water Charges**

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While the arrears water charges balance as at 31 December of the year under review was amounted to Rs.258,169. The amount that had elapsed 1 year amounting to Rs.65,565 had been included therein.

#### **(d) Garbage Taxes**

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Actions had not been taken to collect the garbage taxes from the private entities, hotels and markets that situated in the area of authority of the Sabha.

### **2.4.3 Court Fines and Stamp Fees**

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A sum of Rs.363,705 of court fines were due to be recovered as at 31 December of the year under review, from the Chief Secretary of The Provincial Council and other Authorities. Receivable stamp fees had not been accounted.

## **3 Operating Review**

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### **3.1 Performance Evaluation**

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Following matters are observed.

- (a) Although the budget proposed to have new revenue streams using vehicles which were in the machinery and equipments unit of the Sabha, any income had not been earned.
- (b) The observation compartment and the access road, built around the Huluganga water fall in 2012, had been leaved after completing a half.
- (c) While only one floor was used of the four storey building that had constructed in the year 2004, although it had passed 14 years from constructing, the remaining three floors had not been completed.

### **3.2 Management Inefficiencies**

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Following matters are observed.

- (a) Although the 30 shops of the Sabha had valuated on 28 April 2009 and 23 August 2016 by the Department of Valuation, the loss of Rs.1,658,500 had been occurred to the Sabha due to the failure to implement the valuation.
- (b) Permanent monthly fee of Rs.200 from a business place and Rs.150 from a household unit had been charged per month without fixing water meters for 15 business supplies and 398 households of 7 projects of water supply that are maintained by the Pradeshiya Sabha.
- (c) The Sathi Pola building that was constructed at a cost of Rs. 1,500,000 under Provincial Specific Development Grants in the last year had been running in vain despite the completion of 16 months.
- (d) Although a sum of Rs.4,204,748 had been spent on the construction of a common facilitiescentre and landscaping, this construction had been carried out without taking over the land owned by the Haagala government estate.

### **3.3 Operational Inefficiencies**

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Although certificates of conformity for building construction on approved plans had to be issued, while approval has been granted to 17 of 39 building applications that received during the year under review and previous year, compliance certificates have been issued only for one application.

### **3.4 Idle/Underutilized Assets**

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while the 2 motorcycles worth Rs.525,000 and a tractor existed between 2-9t period of years that had owned to the pradeshiasabha had been remained in vain and 3 vehicles was given by the Ministry of Provincial Councils and Local Government in last year had not been used.

### **3.5 Contracts Administration**

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Following matters are observed.

- (a) An amount of Rs.1,190,406 had been spent for the preparation of viewing cell and the access road to watch on Huluganga Falls on Provincial Department of Commerce and Tourism Grants in 2012 and 2013 years. The project was in a failed state due to the fact that this feasibility study was not identified and implemented. while the viewing cell had not designed to be watched the Waterfall, it had been observed on the 07th of March 2017 at the site inspection that it had broken from some of the iron fence fixed onto the viewing enclosure and the remaining 5 meters of the iron gate had not been completed. By now, the industry had not been completed for over four years, but had not been commissioned for an effective revenue-generating project; the amount of money thus far incurred was nominal.
- (b) In the year 2002, a sum of Rs.2,069,000 had been spent on the first floor of a building that was to be constructed in four floors. While the Ayurveda had been established in 2004, although 14 years have elapsed since then, three floors of 750 square feet had not been used and utilized.
- (c) In 2016 Rs.2,000,060 had been paid without obtaining the estimates for road development projects under the provisions of the PradeshiyaSabha strengthening program without fulfilling the inspection reports and the Hammer Test reports about the strengthens of concrete mixture after completed the project.

### **3.6 Solid Waste Management**

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Decaying garbage had been providing in a day once in a week to the KundasalePradeshiyaSabha From the waste about 1 ton that collected daily from the area of the authority of the Sabha, Huluganga, Malkade, TawalantennaMadulkele and Mahapatana , non-decaying garbage had been discharged HathaleMorahela land and Hullugallesenjons environment Hill land that belonging to the Sabha. These two lands were very sloping, and non-decaying garbage was a major source of pollution and natural hazards, such as landslides.

### **3.7 Environmental Problems**

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While the two places of Huluganga and Hathale that discharge the waste by Sabha is the places with heavy slops, there was a risk of health problems, hence garbage disposal to these two lands which is known as a biodiversity rainforest near the World Heritage Knuckles Conservation Forest without well-managed, pollution beauty of environment, water pollution and gathering rainwater in the plastic parts.

## **4 Accountability and Good Governance**

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### **4.1 Budgetary Controls**

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Even after amendments of the budget during the year under review, material differences were observed between the budgeted and actual revenue and expenditure as per particulars given below. Accordingly it was observed that, the budget had not been made use of as an effective tool of management. Following matters are observed in this regard.

- (a) Any amount had not been expended from the amount of Rs.1,597,000 that had allocated for 38 items of expenditures.
- (b) Any amount had not been earned from the estimated revenue amount of Rs.1,253,600 for 14 items of revenue.

### **4.2 Annual Procurement Plan**

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It had not been prepared a Procurement plan for the year under review.

## **5 Systems and Controls**

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

- (a) Fixed assets
- (b) Accounting
- (c) Vehicle Administration
- (d) Revenue Administration
- (e) Creditors and Debtors
- (f) Contract Administration