

Palindanuwara Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 20 March 2017 and the financial statements for the preceding year had been presented on 08 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 29 September 2017.

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 as at 31 December 2016 give a true and fair view of its financial performance and cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) The value of a weighing machine amounting to Rs. 35,000 had been omitted in the accounts. As a result, the balance of the Machine and Machinery Account had been understated by Rs. 35,000. Meanwhile, the Revenue Contributions to Capital Outlay Account had also been understated by a similar amount.

- (b) The value of books misplaced amounted to Rs. 12,645. This had not been deleted from the financial statements.

- (c) The direct credit of Rs. 2,358,850 dated 22 December 2016 had not been noted as receipt of cash and as such the cash balance as at 31 December 2016 had been understated by Rs. 2,358,850 in the financial statements.

1.3.2 Lack of Evidence for Audit

Transactions aggregating Rs.66, 705,732 could not be satisfactorily vouched in audit due to non – rendition of necessary information for audit.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2016 amounted to Rs. 6,692,354 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs. 1,737,061 resulting in an improvement of financial results of the year under review by Rs. 4,955,293.

The main reason for an improvement of financial results by Rs. 4,955,293 was due to Increase in revenue by Rs. 20,681,195 and expenditure by Rs. 15,725,902.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished with regard to the estimated revenue, actual revenue and the arrears of revenue for the year under review appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.000	Rs.000	Rs.000
(i) Rates and taxes	2,289	1,983	557
(ii) Lease rent	4,361	4,361	250
(iii) Licence fees	194	194	-
(iv) Other Revenue	67	67	-

2.2.2 Rates and Taxes

- (a) Out of the outstanding balances of Rs. 661,138 at the commencement of the year under review, a sum of Rs. 375,291 representing 56.8 per cent had been recovered and the total arrears as at end of the year amounted to Rs. 493,536.
- (b) The amount billed for the rates and taxes of the year under review was Rs. 1,018,262. Of this, a sum of Rs. 766,253 representing 75.2 per cent alone had been recovered.

2.2.3 Acreage Tax

Out of the outstanding balances of acreage tax as at 31 December 2015 amounting to Rs. 31,648, a sum of Rs. 24,604 representing 77.7 per cent only had been recovered by 31 December 2016. The current amount billed was Rs. 140,609. Of this, 64.8 per cent amounting to Rs. 91,117 had been recovered. Accordingly, the outstanding balance of acreage tax as at 31 December 2016 amounted to Rs. 52,364.

2.2.4 Lease Rent

The outstanding balance of lease rent as at 31 December 2015 amounted to Rs. 383,280. Of this, 35 per cent amounting to Rs. 133,642 only had been recovered by 31 December 2016.

2.2.5 Business Tax

The Sabha has carried out a survey relating to business tax for the year 2016. However, action had not been taken to recover business tax from the entities identified at the survey. As such, the amount billed had become less.

2.2.6 Court Fines and Stamp Fees

The amount receivable from the Chief Secretary, Provincial Council and other authorities as at 31 December 2016 are shown below.

	Rs.
(i) Court Fines	2,657,215
(ii) Stamp Fees	7,000,000

3. Financial Review

3.1 Operating/Management Inefficiencies

(a) Leasing Stalls/renting land

- (i) The Sabha had not followed proper tender procedures for the 26 stalls offered to persons. The lease rent had been renewed once in 3 years as per agreement at the rate of Rs. 3,000 per month. Further, no assessment, whatsoever, had been done although these stalls had been given on lease for about 09 years since 2008.

(ii) The lessee of Stall No.10 had proposed to hand over his rights relating to the lease to another person stating that he had decided to go abroad. This proposal had been accepted at the meeting of the Sabha held on 14 May 2015 and the vesting fees had been recovered accordingly. However, the lease agreement ending on 30 July 2015 was in favour of the previous lessee.

(b) **Recovery of Monthly Fees from Pre-Schools**

The Sabha had conducted 02 pre-schools under the objective of welfare. But, the Sabha had recovered Rs. 487,000 at the rate of Rs. 500 per month from each pre-schools since 2014, contravening the objective.

(c) **Lease of Bellana Narangahawaththa**

The land named Thumhavul Kurunduwaththa alias Narangahawaththa belonging to the Palindanuware Pradeshiya Sabha had been given on lease to a person at an agreed lease rent of Rs. 10,000 per month and the agreement was to be renewed every 03 years. The following matters were observed in this connection.

(i) This land had been given on lease to the party concerned without following proper tender procedures. The tender application had been handed over to this person alone on 12 March 2008, the date of acceptance and opening of the tender and the lease agreement had been entered into, on 11 March 2008.

(ii) The approval of the Minister concerned had not been obtained for the lease of land in terms of Section 19(1)(xi)/19(1)(12) of the Pradeshiya Sabha Act.

- (iii) This lease agreement continued for an entire period of 09 years since 11 March 2008 by renewing the agreement every 03 years. The Sabha had not considered to increase the lease rent by obtaining a new assessment to commensurate with the increase in value of the land.
- (iv) The lessee had informed the Sabha that he would go abroad in 2014 and to enter into an agreement with the person named by him. Accordingly, the Sabha had entered into an agreement with the person named for the period 11 March 2014 to 10 March 2017. But, action had not been taken to renew the agreement which ended on 10 March 2017.

(d) Land and Buildings of the Sabha

The Sabha had not taken action to acquire the land with an extent of 26 acres, and 34.68 perches.

(e) Kamburawala Drinking Water Project

This project had been initiated with the objective of providing water to about 300 families by spending Rs. 4,209,754 under the Pura Neguma Project.

- (i) It had been decided to obtain a connection fees of Rs. 5,000 for providing water under this project. Subsequently, a gazette notification had been issued to recover Rs. 8,000. However, connection had been given to 179 units of families by 31 December 2016 by recovering connection charges at various rates ranging from Rs. 2,000 to Rs.5,000.
- (ii) Action had not been taken to acquire the 10 perches of land utilized for the water project.

(f) Revenue from Notice Board

- (i) The Sabha had not maintained a register of revenue to note the revenue from notice boards by entering adequate information in it.
- (ii) A survey had not been carried out with regard to the year 2016 to recover fees for notice boards/advertisement notices as referred to in the Gazette Notification No. 1940 of 06 November 2015 of the Democratic Socialist Republic of Sri Lanka.

(g) Non-conduct of Planning Committees

The first meeting of the Planning Committee held by the Sabha after the meeting held on 15 May 2015 was on 23 March 2016. No meetings of the Planning Committees, whatsoever, had been held within this period and the 25 applications relating to buildings and 48 applications relating to lands had been approved at the discretion of the Secretary.

(h) Estimation of Revenue

The Sabha had estimated a revenue of Rs. 2,000,000 from the JCB machine for the year 2016 whereas it had earned revenue amounting to Rs. 138,690 in 2016.

(i) Golden Field Land at Bellana

Action had not been taken to correctly identify, obtain title deeds and to enter as a fixed asset, the said land which was a common land of the Sabha. A co-operative society had constructed a building in this land and had carried out its business. Subsequently, the Sabha had granted this land to the said society on an annual lease basis at Rs. 750 per month. The rate had been increased to Rs. 1,000 from 2015. But, the decision of the Sabha for granting the land on lease was not available. Further, the agreement entered into with the society had ceased on 31 December 2016 and action had not been taken to renew it.

(j) **Footwear to School children**

A sum of Rs. 4,060,202 had been spent in December 2016 to purchase 4,679 pairs of shoes to school children of low income group families within the area of the Sabha. Although orders had been placed for 4,679 pairs of shoes as per information obtained from 35 schools within the area of the Sabha, 4,326 pairs of shoes only had been distributed among schools. The rest, that is, 353 pairs of shoes had been retained by the Sabha even by 29 June 2017.

(k) **Non-recovery of Employees' Loans**

Action had not been taken to recover the loan balances of Rs. 10,953 due from 3 officers which had been included in the loan balances recoverable from employees. even as at 30 June 2017, These officers had vacated posts.

(l) **Board of Survey**

Necessary action had not been taken with regard to 68 library books valued at Rs. 12,217 which had got misplaced as per board of survey report of 2016.

(m) **Control over vehicles**

- (i) Consumption of fuel by vehicles had not been tested in terms of the Public Administration Circular No.41/90 of 10 October 1990.
- (ii) A register had not been maintained to enter spare parts removed from vehicles during repairs.
- (iii) It was observed that a trailer and a tractor had become obsolete from 2011 and 2016 respectively.

3.2 Contract Administration

Modernization of Infrastructure Facilities in the vicinity of Makeli Ella

A sum of Rs. 2,827,474 had been spent under this project to repair the car park, steps and the observation centre. The amount spent to repair the car park amounted to Rs. 1,371,500. But, it was revealed at the physical verification carried out on 29 June 2017 that many block stones laid on the floor had been submerged in the soil.

3.3 Garbage Management

- (a) The Sabha had not framed by-laws for operation of its garbage management.
- (b) A Community Development Officer had been entrusted with this work who was required to make 3 visits to this Sabha every week. However, he had visited 14 days in 2016 and 07 days in 2017.
- (c) The garbage that remained without been decayed had been disposed of, at Maladugala Kanda area of the Sabha for which a licence had not been obtained from the Environment Authority.
- (d) The daily roster of employees engaged in the garbage collection work had not been furnished for audit.

4. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Budgetary Control
- (d) Control over vehicles
- (e) Contract Administration
- (f) Garbage Management