

Padiyatalawa Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 04 April 2017 and the financial statements for the preceding year had been presented on 12 April 2016. The Report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 16 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Padiyatalawa Pradeshiya Sabha as 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

1.3.1 Accounting Policies

The accounting policies adopted in presentation of financial statements had not been furnished along with the financial statements.

1.3.2 Accounting Deficiencies

The following accounting deficiencies are observed.

- (a) Even though, there were no physical stocks available as at the end of the year under review, a value of stocks amounting to Rs.114,240 had been shown under current assets in the financial statements.
- (b) As per the ledgers maintained by the Sabha, the value of the land and buildings amounted to Rs.146,966,860, but a sum of Rs.589,237,227 had been shown as land and buildings in the financial statements. Accordingly, the value of the land and buildings had been overstated by Rs.442,270,367.
- (c) Two computers valued at Rs.120,000 purchased in the year 2015 had not been brought to account and as such the fixed assets had been understated by similar amount.

- (d) A sum of Rs.653,400 incurred by the Sabha for fixing 18 book racks for the library in the year 2015 had not been brought to account and as such the fixed assets had been understated by similar amount.
- (e) The trade stalls and mobile trade stalls constructed in the children's park Meegaswaththa by incurring Rs.1,268,707 during the year under review under Strengthening of Pradeshiya Sabha Programme had not been shown under fixed assets.
- (f) The crew cab vehicle and the tipper belonging to the Sabha valued at Rs.9,241,884 had not been capitalized as fixed assets of the Sabha and as such the fixed assets had been understated by similar amount.
- (g) Even though, the actual value of the backhoe loader and the cab vehicle of the Sabha amounted to Rs.25,549,179, it was brought to account as Rs.8,350,000. As such, fixed assets had been understated by Rs.17,199,179.

1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

 The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules, Regulations etc.

Non-compliance

- (a) Pradeshiya Sabha Rules

 Rule 59 - 66

 Even though, action should be taken to carry out a survey in the area and identify the Institutions liable for Industrial Tax and recover those taxes at the beginning of each year, action had not been taken accordingly.

Rule 65

A Register of Payment Defaulters had not been prepared by the revenue officer.

Rule 153

A statement relating to arrears of revenue had not been maintained in Form P.S.07.

Rule 180

Security had not been furnished by the three officers who performed duties relating to cash, stores and collection of revenue.

(b) Procurement Guidelines

In awarding contracts to the Community Based Organizations under the direct method of contracts it was shown in terms of the Guideline 3.9.1 of the Government Procurement Guidelines that the total value of the contracts carried out by those organizations should not be exceeded Rs.02 million and should not be carried out more than 03 contracts at the same time. Nevertheless, 12 contracts valued at Rs.3,899,946 had been awarded by the Sabha to Nawinna Praja Mandalaya.

(c) Public Administration Circulars
30/2016 (03,01)

A fuel consumption test had not been carried out in respect of 12 vehicles belonging to the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Pradeshiya Sabha for the year ended 31 December 2016 had resulted in an excess of revenue over recurrent expenditure amounted to Rs.783,834 as compared with the corresponding excess of revenue over recurrent expenditure amounting to Rs.1,110,362 in the preceding year. Accordingly, a decline of Rs.326,528 was shown in the financial results.

2.2 Analytical Financial Review

In analyzing recurrent revenue for the year under review as compared with that for the preceding year, an increase in a range from 28 per cent to 33 per cent was shown with regard to the revenue sources such as lease rent, service charges and a decrease in a range from 0.5 per cent to 50 per cent was shown with regard to the revenue sources such as rates and taxes, licence fees, warrant charges and fines and other revenue grants.

In analyzing recurrent expenditure for the year under review as compared with that for the preceding year, an increase in a range from 01 per cent to 252 per cent was shown with regard to expenditure items such as salaries and allowances, supplies and equipment, repairs and maintenance of capital assets and pension payments while a decrease in a range from 07 per cent to 46 per cent was shown with regard to the expenditure items such as travelling, transport and grants.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review as furnished by the Chairman is shown below.

Items of Revenue	Estimated Revenue for the year 2016	Actual Revenue for the year 2016	Accumulated arrears as at 31 December 2016
	Rs.	Rs.	Rs.
Rates and Taxes	161,000	65,450	-
Lease Rent	3,929,300	2,333,900	79,100
Licence Fees	397,000	378,800	-
Service Charges	3,075,904	1,404,218	-
Warrant Charges and Fines	769,000	588,478	375,664
Other Revenue	202,550	318,426	24,115

2.3.2 Lease Rent

Action had not been taken by the Sabha to recover receivable lease rent amounting to Rs.24,115 from meat stalls since the year 2005.

2.3.3 Other Revenue

In terms of the Gazette Notification No.1597/8 dated 17 April 2009, a sum of Rs.20,000 at least should be recovered per telecommunication transmission tower to grant the approval for the telecommunication towers, a sum of Rs.160,000 had not been recovered for 08 telecommunication towers constructed in the authoritative of the Sabha.

2.3.4 Stamp Fees

Action had not been taken even by 31 December 2016 to recover stamp fees receivable since the year 2010 totalling Rs.161,282.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) Action had not been taken to obtain revenue licences on due date for 07 motor vehicles of the Sabha and as such a sum of Rs.10,265 had to be paid as fines.
- (b) Action had not been taken to recover employees loans amounting to Rs.13,960 recoverable since the year 2013 from 02 employees transferred on station transfers who were employed in the Sabha.
- (c) Even though, construction of 11 trade stalls of the upper floor in front of the Padiyathalawa Weekly Fair and 02 trade stalls in the Public Market Complex Serankada had been completed during the year under review, action had not been taken to lease those trade stalls and to earn revenue.
- (d) Action had not been taken to obtain revenue licences for 12 motor vehicles out of 19 motor vehicles belonging to the Sabha.
- (e) Even though, a cab vehicle belonging to the Sabha had been handed over for repairs to the Mechanical Engineer's Office, Ambathenna since 19 July 2014, action had not been taken to get repairs done up to now.
- (f) Action had not been taken to transfer the ownership with the name of the Sabha in respect of 05 lands in total extent of 04 acres 103 perches utilized by the Sabha.
- (g) Even though, 08 motor vehicles of the Sabha had remained in repairable condition, the vehicles had been parked in the premises of the Sabha without being repaired even by 13 June 2017.
- (h) Action had not been taken for vesting of 09 motor vehicles to the Sabha which were provided by Eastern Provincial Council and the Ministry of Local Government and Provincial Councils.

3.2 Contract Administration

The following matters were observed at the examination carried out on the execution of projects under direct labour basis.

- (a) In purchasing of raw materials and inputs for the projects executed by the Sabha during the year 2015 an excess of expenditure amounting to Rs.2,162,590 was shown between

the prices as per approved rates and the actual expenditure incurred. That was represented 41.8 per cent of the expenditure to be incurred.

Item	Expenditure incurred by the Sabha	Expenditure to be incurred by the Sabha	Excess Expenditure
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	Rs.	Rs.	Rs.
Sand	1,117,300	864,200	253,100
Metal	3,179,925	2,415,375	764,550
Motor Grader	3,037,800	1,892,860	1,144,940
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Total	7,335,025	5,172,435	2,162,590
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- (b) According to the maximum retail price of the filler paint in the market amounted Rs.212. Accordingly, the maximum price to be incurred for 104 litres of filler paint purchased should be Rs.22,048 but the Sabha had incurred a sum of Rs.76,200. As such an excess expenditure of Rs.54,152 had been incurred by the Sabha.
- (c) It was observed that the cement had been purchased for various prices in the same date in purchasing of cement to execute the above projects. As such, it was observed that a loss about Rs.53,660 had been incurred by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 01 per cent to 100 per cent were observed between the budgeted expenditure and the actual expenditure during the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

4.2 Annual Procurement Plan

A Procurement Plan had not been prepared by the Sabha for the year 2016 in terms of National Budget Circular No.128 issued on 24 March 2006.

5. Systems and Controls

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

System	Area needed attention
(a) Accounting	- Accounting of Assets.
(b) Revenue Administration	i Recovery of arrears of revenue. ii Imposing of by-laws. iii Identification of revenue sources.
(c) Contract Administration	- Execution of work as per Circulars.
(d) Stores Administration	- Storing of goods in a manner to check accuracy quickly.
(e) Assets Control	- Vesting of ownership of the fixed assets.