

Panadura Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2017 had been submitted on 27 March 2018 and amended Financial Statements on 08 October for the audit, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified Opinion

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 Panadura Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

Following accounting deficiencies were observed.

- (a) Electrical Stores balance at the end of the year under review had been understated in a sum Rs.397,500.
- (b) Although the sum of Rs. 1,128,611 written off on account of overbilling relevant to the year under review should be shown deducted from the revenue billed for the year, it had been credited to Rates Collection Account having debited the Deficits and Surplus Account. Due to that, rates revenue for the year under review had been overstated in a sum of Rs. 1,128,611.
- (c) The two tractors and the 02 trailers valued at Rs. 3,777,750 provided by the Ministry of Local Government during the year under review on the basis of setting off from the Stamp Fees Revenue had not been shown in the financial statements after crediting the Provincial Council Loan Account having debited the Utility Services Recoverable Account.
- (d) Although the value of total capital expenditure of the first program relevant to the year under review according to expenditure summary reports was Rs.1,565,126, it had been shown as Rs. .1,028,240 in the financial statements. Due to that, value of Capital Expenditure Works for the year had been understated in a sum of Rs. 536,886.
- (e) Value of Sundry Creditors at the end of the year under review and expenditure for the year had been overstated in a sum of Rs.43,272 in the financial statements.
- (f) Value of Creditors amounting to Rs. .1,290,118 on account of 04 works relevant to the Project for Development of 1000 kilo meters and a work under decentralized funds had been over

provided while value of Works Creditors amounting to Rs.206,967 had been under provided. Due to that, value of Work Creditors and works expenditure had been overstated to the extent of 1,083,151.

- (g) Although Fixed Deposit Interest Income was Rs. 9,710,453, it had been shown as Rs.9,763,291 in the financial statements. Due to that, Fixed Deposits Interest income had been overstated in a sum of Rs. 52,838.
- (h) Although the value of Fixed Deposit Investments relevant to the year under review according to the investment certificates was Rs. .94,021,190., it had been shown as Rs. .94,551,268 in the financial statements. Due to that, value of Fixed Deposits Investments had been overstated in a sum of Rs. 530,078.
- (i) No-pay recoveries amounting to Rs. 381,929 made from employees who obtained no-pay leave during the year 2016 had been shown deducted from salaries and wages as a refund of expenditure of the current year. Due to that, salaries and wages expenditure for the year under review had been understated in a sum of Rs. 381,929.

1.3.2 Non-reconciled Accounts

A difference of Rs. 12,254,050 was observed between the balances amounting to Rs. 221,514,261 relevant to 10 items of accounts shown in the financial statements and the balances shown in the schedules relevant to those.

1.3.3 Accounts Receivable and Payable

Accounts Payable

- (a) Pension contribution payable to Pensions Department as at 31 December 2017 was Rs. 3,470,393.
- (b) Value Added Tax payable as at the end of the year under review was Rs. 2,916,490.

1.3.4 Lack of Written Evidence Required for Audit

Eleven items of account totaling to Rs. 101,201,425 could not be satisfactorily verified / vouched in audit due to non-remission of up dated Register of Fixed Assets, Register of Advances, Creditors Register, Deposits Register and relevant schedules.

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

Instances of non-compliance with laws, rules, regulations and management decisions are shown below.

Reference to Laws, Rules, Regulations and Management Decisions -----	Value ----- Rs.	Non-compliance -----
(a) Pradeshiya Sabha Act No. 15 of 1987 Section 149		A charge up to one percent of the total income had not been recovered from a hotel, a restaurant or a lodging house registered in the Sri Lanka Tourist Board for the functions of Tourism Development Act No. 14 of 1968.
(b) 1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 218		All Lands and Buildings belong to the Sabha Had not been inspected once in every year
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
i. Financial Regulation 371 (c)	2,773,982	Although an advances given for a particular work should be settled immediately after completion of the relevant work, action had not been taken accordingly.
ii. Financial Regulation 396 (d)	5,247	Action had not been taken with regard to three cheques issued, but not presented for payment for more than 06 months.
iii. Financial Regulation 571 (1) and (2)	2,923,112	Action had not been taken at the end of each half year to prepare lists of time lapsed deposits and credit to government revenue
iv. Financial Regulations 1647 (b)		A full survey of vehicles and tools of those belong to the Sabha had not been carried out.
(d) Gazette Notification No. 1997 dated 09 December 2016 of the Democratic Socialist Republic of Sri Lanka.		Although charges should be recovered for construction and display of publicity advertisements within the area of authority of the Sabha, according to physical audit sample checks, charges

had not been recovered for 37 publicity advertisement name boards in Wadduwa Sub-Office area.

(e) Gazette Notification No. 1533/16 dated 25 January 2008

Licenses had not been issued to 20 establishments liable to obtain environmental licenses.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs. 65,254,035 as compared with the excess of revenue over recurrent expenditure amounted to Rs. 85,717,536 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs..
(i) Rates and Taxes	26,575,000	32,642,175	30,827,066	28,940,466	26,345,500	29,026,502	28,222,569	27,515,429
(ii) Rent	10,135,500	3,069,708	3,240,845	3,617,915	14,711,000	3,080,635	3,184,080	3,789,053
(iii) License fees	475,500	474,200	477,750	500	401,000	453,104	455,804	4,050
(iv) Other Revenue	79,305,500	61,002,500	57,344,046	70,379,045	93,659,000	76,005,000	76,860,185	74,157,687

2.2.2 Performance in Revenue Collection

While overall arrears of revenue at the beginning of the year under review amounted to Rs. 105,466,219, billing relevant to the year had been Rs. .97,188,583. Receipts, write-off and adjustments during the year amounted to Rs. 99,716,876, while overall arrears of revenue as at 31 December 2017 amounted to Rs. .102,937,926.

2.2.3 Rates and Taxes

(a) Rates

- (i) While Rates in arrears at the beginning of the year under review was Rs.22,651,829, out of that a sum of Rs. 11,761,770 or 52 percent only had been recovered during the year.
- (ii) A difference of Rs. 4,458,682 was observed between the report on arrears of revenue at the beginning of the year under review and the register of rates in arrears.
- (iii) While Rates billings for the year under review were Rs. 29,169,233, out of that, a sum of Rs. 18,097,668 or 62.4 percent only had been recovered during the year.
- (iv) Although Rates Revenue in Arrears according to report on arrears of revenue at the end of the year under review was Rs. .21,961,624, according to the financial statements, Rates Revenue in Arrears had been 28,733,105 and therefore a difference of Rs. 6,771,481 was observed.

2.2.4 Rent

Stalls Rent

- (a) While Rent in Arrears at the beginning of the year under review was Rs.3,671,630, out of that a sum of Rs.280,350 or 7.64 percent only had been recovered during the year.
- (b) While Rent billings for the year under review were Rs.3,069,708, out of that, a sum of Rs. 2,750,483 or 89.60 percent only had been recovered during the year. Overall arrears of rent at the end of the year under review was Rs. 3,710,505.
- (c) Although the rent of public market had been revised since the year 2015 according to the new assessment, action had not been taken to recover security deposits and enter into agreements based on the new assessment.
- (d) It had been allowed to carry on the business activities on the basis of revering the only the rent from 06 stalls in first stage, nine stalls in second stage and 05 stalls in third stage, without a legal agreement.
- (e) Beef Stall No. 02 in third stage of the public market had been leased out on the basis of a monthly lease rent of Rs. 10,250 for three years with effect from 01 March 2014. Although the lease period ended on 01 March 2017, it had not been tendered and re-leased, but had been leased out for the year 2017 and recoveries had been made on the basis of the lease amount for the year 2014.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 4,716,190 and Stamp Fees amounting to Rs. 65,651,305 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Performance

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

Although by-laws should be imposed under Section 126 of the Pradeshiya Sabha Act for fulfillment of 16 main functions, any by-laws had not been imposed by the Sabha even as at 31 December 2017.

(b) Lack of Provisions

Annual Budget had not been prepared according to the works to be performed by the Sabha as per annual action plan

(c) Projects Implementation

There were 50 projects proposed to be implemented according to the action plan prepared for the year under review. However, without implementing 38 projects out of those, 38 projects not included in the action plan had been implemented

(d) Solid Wastes Management

While a sum of Rs. 11,230,040 had been paid to a private company for disposal of garbage during the year 2017 due to non-implementation of a proper scheme by the Sabha, that expenditure had been 38 percent of the rates revenue of the Sabha for the year under review.

(e) Sustainable Development Targets.

The Sabha was not aware of the Agenda - 2030 with regard to sustainable development objectives. Due to that, long term plans through new global index for uplifting of living standard and health of the people in the area of authority of the Sabha had not been prepared even as at 11 June 2018.

3.2 Human Resources Management

(a) Staff Vacancies and Excesses

- (i) Although 10 employees who were made permanent in terms of Public Administration Circular No. 25/2014 had been attached to posts in the preliminary section, these employees had not been included in the approved cadre.
- (ii) While there were 13 vacancies of officers for 06 posts of secondary grade, there were 19 vacancies of officers for 05 posts in the preliminary grade as at the end of the year under review.
- (iii) There were 28 substitute employees and 03 project employees as at the end of the year under review.
- (iv) An employee who had come on transfer as an un-skilled laborer since the year 2006, had held membership in Moratuwa Municipal Council had done only the signing the attendance register from 2015 to November 2016 had not rendered any service to the Sabha. He had been paid a sum of Rs. 724,695 as salaries. Vacation of post order in terms of Section 172 in Appendix 12 of the Office Procedure Manual. had not been issued to this employee who had not reported for work from 18 July 2016 to December 2017. However, the Chairman informed me that the vacation of service was informed on 23 March 2018.
- (v) A driver who came on transfer from Colombo Municipal Council without a successor in February 2015, had done only the signing in the attendance register, had been paid a sum of Rs.248,605 as salaries from February to September 2015. A further sum of Rs. 862,927 had been paid to that driver from October 2015 to November 2017 who had gone again to Colombo Municipal Council with effect from September 2015.
- (vi) Any course of disciplinary action had not been taken with regard to 22 employees who had taken no-pay leave continuously.

(b) Staff Loans

Loan balance outstanding to be recovered from 24 employees who had deceased, left on transfer and retired was Rs. 1,180,939.

3.3 Operational Inefficiencies

(a) Stock Control

- (i) A register indicating daily balances of electrical goods received from Head Office and electrical goods issued to electricity section had not been maintained through the sub offices.
- (ii) Entries had not been made in the stores register with regard to goods issued to electrical section by the Wadduwa Sub-Office. While electrical bulbs obtained by the electricity section had not been recorded according to the serial order, in fixing the bulbs to the electricity posts serial order had not been followed.

(iii) While bulbs unfixed and removed had not been properly handed over to the sores, action had not been taken to exchange the bulbs of which guarantee period not expired.

(b) Settlement of Street Lamps Bills

While supply of services and repair works of street lamps in the area belong to the Keselwatta Sub-Office had been carried out by the Sabha, a sum of Rs. 766,722 had been paid to Ceylon Electricity (Private) Company for lighting street lamps during the period from January to October 2017 without entering into an agreement.

3.4 Assets Management

3.4.1 Assets not recorded

(a) Non-documentation of Assets

Furniture and Fittings valued at Rs. 1,192,165, Machinery and Equipment valued at Rs. 2,987,929 and Motor Vehicles and Carts valued at Rs. 3,803,625 purchased during the year under review had not been recorded in the Register of Fixed Assets. An up-dated Fixed Assets Register as at 31 December 2017 was not available as well.

(b) While name of land, value and deed number relevant to 34 lands identified as lands belong to the Sabha had not been included in the Fixed Assets Register maintained by the Sabha, deeds relevant to the lands were not available in the Sabha.

3.4.2 Non-performance of Maintenance and Repair Works

Although a sum of Rs. 2,291,859 had been received to the Sabha for damaging 194 roads for obtaining water supply during the year under review, only 30 roads had been repaired during the year.

3.5 Procurements

3.5.1 Supplies and Services

In selecting a service establishment for disposal of garbage, the tender had been awarded to the establishment which offered the highest quotation without selecting the establishment which submitted the lowest quotation, while an environmental permit had not been obtained for the garbage disposal places by the establishment which obtained that tender. Although the agreement entered into with the tender awarded establishment was only for one month, the agreement had been implemented throughout the year, while garbage disposal works had not been carried out under a proper supervision.

3.5.2 Contracts Administration

Weaknesses in Performance of Works

- (a) Development by concreting the first sub road towards left of the Bogaha Road, Beththegama.
 - (i) While width of the road had been concreted 0.23 meters less from 53.8 to 64 meters long of the road, subsequently, 0.23 meters had been concreted by using planks. As a result, that part had not been properly linked to the road.
 - (ii) Although the depth of the road should be 0.125 meters, at 29.5 meter point it was 0.089 meters, at 46.4 meter point it was 0.10 meters and at 53.8 meter point it was 0.10 meters.
 - (iii) Concrete had been poured on the two sides of the road to make it impossible to identify the width of the road.
 - (iv) The certificate of the Divisional Secretary with regard to the finance and performance of the contract society was not available.

- (b) Development of Wekada East Pahathgama Main Road up to the end.
 - (i) According to the final payment report, tar should be applied to a length of 207 meters. However, at the physical inspection it was revealed that tar had been applied to the extent of 172 meters only.
 - (ii) Metal had appeared from places to places on the surface of the road. The certificate of the Divisional Secretary with regard to the finance and performance of the contract society was not available.

- (c) Development of the slope part of the Panadura, Kuruppumulla Fonsekawatta Road
 - (i) Although the length of the road is 65.15 meters, only 58.8 meters had been completed.
 - (ii) The certificate of the Divisional Secretary with regard to the finance and ability of the contract society was not available.

- (d) Construction of Ambagahawatta Drainage System

While a part of this project had been performed for an estimated sum of Rs. 253,577, due to that a flood risk to residential houses around had arisen.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances in a range from 13 percent to 85 percent between the budgeted revenue and actual revenue, and variances in a range from 03 percent to 96 percent between the budgeted expenditure actual expenditure were observed. Therefore, the budget had not been made use of as an effective tool of management.

5. Systems and Controls

Deficiencies observed were brought to the notice of the Sabha through audit queries issued from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Deficiency
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(a) Accounting	<ul style="list-style-type: none"> i. Omissions, understatements and overstatements in the accounts. ii. Non maintenance of updated registers.
(b) Assets and Properties	<ul style="list-style-type: none"> i. Non-documentation. ii. Lack of security
(c) Revenue Administration	Inadequate follow up in recovery of arrears of revenue.
(d) Stocks	<ul style="list-style-type: none"> i. Non-documentation ii. Ad-hoc stock control iii. Lack of supervision with regard to receipts and issues.
(e) Debtors and Creditors	<ul style="list-style-type: none"> i. Non-preparation of schedules. ii. Non-preparation of age analysis.
(f) Staff Management	<ul style="list-style-type: none"> i. Failure to get the approval for cadre. ii. Failure to fill vacant posts.
(g) Wastes Management	Non-implementation of a proper scheme.
(h) Budgetary Control	<ul style="list-style-type: none"> i. Material variances between the budget and actual expenditure. ii. Unrealistic revenue estimates.
(i) Projects /Contracts	Inadequate supervision.