

Panadura Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 05 May 2014 while Financial Statements relating to the preceding year had been submitted on 28 March 2013. The Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 13 November 2014.

1.2 Opinion

Due to the importance matters appearing in paragraph 1.3 of this report, my opinion is that the financial statements have not been prepared in accordance with the Generally Accepted Accounting Principles so as to reflect a true and fair view of the financial position of the Panadura Pradeshiya Sabha as at 31 December 2013 and its financial performance for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a.) Four Items of Assets totalling Rs. 1,582,710 purchased during the year under review had not been capitalized.
- (b.) A sum of Rs. 1,382,182 paid to Works Creditors during the year under review had been considered as an expenditure of the year and debited to Works Expenditure Account, instead of debiting the Works Creditors Account. Due to that, Works Creditors Account and the Work Expenditure had been overstated to that extent.
- (c.) Capital Grants Receivable and Works Expenditure Payable (Works Creditors) amounting to Rs. 29,338,163 had not been accounted.
- (d.) Although the year end stock balance should be obtained after taking into account the purchases and issues of the year relating to Electrical Stores and General Stores Stocks Accounts, purchases amounting to Rs. 3,665,678 and Rs. 4,271,728 respectively and issues amounting to Rs. 3,379,374 and Rs. 3,134,870 respectively had not been accounted. Instead, the difference between the opening and closing balances had been adjusted to the financial results for the year, showing the physical stock balance as the final balance.

- (e.) Although a sum of Rs. 516,626 had been credited to the Deficits and Surpluses Account having debited the Staff Loans Account through a journal entry, in order equal the schedule of staff Loans balances at the end of the year with the staff loans balance shown in the ledger account, the relevant reasons had not been found out.
- (f.) According to the accounting instructions given in the letter of the Commissioner of Local Government dated 20 August 2014, the cab vehicle valued at Rs. 3,178,456 provided to the Sabah on loan basis by the Commissioner of Local Government should be accounted in the Loan Account, and payment of installments amounting to Rs. 706,272 should be credited to the Contribution from Revenue to Capital Outlay Account having debited the Loan Account. However, it had not been accounted accordingly.

1.3.2 Accounts Receivable and Payable

Prepayments balance of 1,717,893 which is being brought forward since the year 2006, Internal Loan balance of Rs. 134,899 which is being brought forward over a number of years and Staff Security Deposit of Rs. 2,500 had not been identified even during the year under review.

2. Financial and Operating 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 2013 had been Rs. 46,445,192 while the corresponding excess of revenue over recurrent expenditure amounted to Rs.6,342,720 in the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished by the Chairman relating to Estimated Revenue, Actual Revenue and arrears of Revenue are shown below.

	Source of Revenue	Estimated	Actual	Cumulative Arrears as at 31 December
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		Rs.'000	Rs.' 000	Rs. '000
(i)	Rates and Taxes	20,618	18,328	19,653
(ii)	Lease Rent	1,394	1,400	694
(iii)	Licence Fees	552	532	26
(iv)	Other Revenue	2,181	1,026	3,779

2.2.2 Rates

While Rates in Arrears from 42465 properties in the 3 Sub-offices belong to the Sabha as at 31 December 2013 amounted to Rs. 25,436,320, action had not been taken to recover those arrears even up to 28 January 2014, date of audit.

2.2.3 Business Tax

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- (a.) Action had not been taken to recover Industrial Tax balances in arrears amounting to Rs. 118,940 due from 43 businesses relevant to the area of authority of the Wadduwa Sub-office, a sum of Rs. 338,828 due from 206 businesses relevant to the Keselwatta Sub-office and a sum of Rs. 84,380 due from 79 businesses relevant to the Thunthirimulla Sub-office as at 31 December 2013.
 - (b.) There was a Business Tax balance of Rs. 20,080 in arrears due from 21 businesses in the area of authority of the Keselwatta Sub-office. A note had been made in the Register of Business Taxes indicating that those businesses were closed down and names of those businesses had been deleted without Sabha approval.

2.2.4 Industrial Tax

Although there were Industrial Tax balances in arrears totalling Rs. 95,960 in the area of authority of Wadduwa, Keselwatta and Thunthirimulla Sub-offices as at 31 December 2013, action had not been taken to recover those balances even up to 28 January 2014.

2.2.5 Trade Licenses

Action had not been taken to recover Trade License balances in arrears amounting Rs. 20,860 from 96 businesses in Thunthirimulla Sub-office and Trade Licences Rs.10,200 from 4 businesses in the area of authority of Wadduwa Sub-office, a sum of Rs.11,500 from 15 businesses in Keselwatta Sub-office for the year 2013.

2.2.6 Stall Rent

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- (a.) Action had not been taken to recover rent in arrears amounting to Rs. 76,161 relevant to 3 old stalls and 6 stalls relevant to Stage I, II and III belong to the Wadduwa Sub-office even up to 30 September 2014. In this amount, there was a balance of Rs. 18,832 which had been brought forward since December 2010 to December 2013 due from one old stall and a balance of Rs. 44,729 which had been brought forward since August 2008 to 31 December 2013 due from one stall of the Stage I.
 - (b.) In the balances of arrears amounting to Rs. 579,650 relevant to 25 stalls belong to Keselwatta Sub-office, the balances in arrears which had been remained un-recovered since the years 2006,2010 and 2011 relating to 07 stalls amounted to Rs.66,000, Rs.96,600, Rs.88,200, Rs.29,250, Rs.19,500, Rs.28,350 and Rs.28,350 respectively.

- (c.) While action had not been taken to renew stall rent agreements entered into during the years 1982 and 1986, a revision of rent had not been made having made an assessment regarding the rent after the year 2003.

2.2.7 Tax on Land Sales

Although a tax equivalent to 1 % of the sale proceeds should be recovered by the Sabha when a land in the area of authority of the Sabha is sold or auctioned in terms of Clause 154(1) of the Pradeshiya Sabha Act No.15 of 1987, a sum of Rs. 318,979 had been recovered as 1% tax from 3 land sales during the year 2103. While that mount had been 1% of the estimated amount of the land and action had not been taken to recover 1% of the sales value at any time.

2.2.8 Recovery of License Fees from the Institutions approved by the Sri Lanka Tourists Promotion Board

- (i.) Although an amount not exceeding 1% of the income of the Hotels, Restaurants and Lodging Houses approved by the Sri Lanka Tourists Board should be recovered as License Fees in terms of Clause 149 of the Pradeshiya Sabha Act No. 15 Of 1987, such License Fee had not been recovered for the year 2013, from 3 Hotels belong to the area of authority of the Sabha even up to 30 September 2014.
- (ii.) While the License Fees to be recovered had been computed based only on the particulars furnished by those institutions in recovering the fees, actual amount to be recovered had not been confirmed.

2.2.9 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 were as follows.

	Rs.
Court Fines	5,793,362
Stamp Fees	22,761,728

3. Operating Review

3.1 Improper Transactions

A sum of Rs. 57,020 during the year 2012 and a sum of Rs. 153,135 during the year 2013 totalling Rs. 210,155 had been paid out of Sabha Fund for home delivery of daily newspapers and week-end Newspapers to the Residences of the Chairman, the Vice Chairman and the Members without any approval. This expenditure had been for the supply of 1642 newspapers to the chairman's house, 646 newspapers to the Vice Chairman's House and 6195 newspapers for the 15 Members.

3.2 Contract Administration

Following observations are made.

- (a.) Although a sum of Rs. 29,284 had been paid according to the final payment report relating to stage 2 of spreading concrete blocks to a length of 70 meters and a width of 3 meters of the Molligoda South, Munamalgahawatta Road, under Maga Neguma Rural Development Programme (2013), for spreading concrete blocks and filling the gaps of the road prepared with a layer of metal dust, it was observed at the field inspection carried out on 28 February 2014 that the gaps had not been filled with cement mixture and that the stones in the final 30 meters had been shaky.

- (b.) Under the above Programme, spreading concrete blocks on the Maha Wadduwa Gangarama Road Sub-way (Road near Peiris Hardware) had been to a length of 70 meters and to a width of 3 meters. Although a sum of Rs. 29,263 had been paid according to the final payment report for spreading concrete blocks and filling the gaps of the road prepared with a layer of metal dust, it was revealed at the field inspection carried out on 28 February 2014 that the gaps had not been filled with cement mixture in the first 16 meters.

3.3 Management Inefficiencies

(a.) Staff Loans

- (i.) Loan balances totalling Rs. 330,475 due from 04 employees had been brought forward without any installments being recovered during the year under review.
- (ii.) According to the Schedule of Staff Loans, action had not been taken to recover 13 loan balances in arrears totalling Rs.62,248 since a period prior to 2007 and those loan balances had not been shown in the Loan Register.

(b.) Vehicles Control

Following observations are made.

- (i.) Fuel consumption of vehicles had not been tested once in 6 months.
- (ii.) An annual survey had not been carried out with regard to vehicles.
- (iii.) While there had been a long delay in the submission of daily running charts to audit, running charts had not been duly updated.
- (iv.) Although the Three Wheel Vehicle had run 6558 kilo meters during January to December 2013, travel details had not been stated while the initial of the officer who used the vehicle had not been placed.

(c.) Solid Waste Management

While the Chairman, Vice Chairman, 21 Members and the Secretary had participated in a tour for 08 days in Thailand, Malaysia and Singapore for study in Waste Management sum of Rs. 6,124,150 had been paid for that out of the Sabha Fund.

Following observations are made in this connection.

- (i.) Although a report should be submitted within 01 month from the date of arrival after completion of a foreign tour such report had not been furnished by any of the participants although 02 months had elapsed as at 28 February 2014, date of audit.

- (ii.) While any new scheme had not been introduced for waste management in the area of authority of the Sabah utilizing the knowledge obtained from the relevant study, it was observed that garbage of the area of authority of the Sabha are carried and dumped into the Garbage Container at Kadirana, belongs to the Moratuwa Urban Council as usually a sum of Rs.2,751,727 had been paid to the Moratuwa Municipal Council for this by the Sabha during the year 2013.

4. Systems and Controls

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

- (i.) Accounting
- (ii.) Revenue Administration
- (iii.) Vehicles Control
- (iv.) Project Management
- (v.) Budgetary control