

Panwila Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1. Presentation of Financial Statements

The financial statements for the year under review had been presented for audit on 05 March 2014 and the financial statements for the preceding year had been presented on 09 May 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 09 December 2014.

1.2. Opinion

Except for the effects on the financial statements of the matters referred to in Paragraph 1.3 of this report, I am of opinion that the financial statements have been prepared in accordance with the Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Panwila Pradeshiya Sabha as at 31 December 2013 and the financial result of its operations and cash flows for the year then ended.

1.3. Comments on Financial Statements

1.3.1. Accounting Policies

During the accounting process of licence fees, the cash basis had been adopted during the preceding year, whilst the accrual basis had been adopted in the year under review. Therefore the impact due to above on financial statements had not been disclosed in the financial statements.

1.3.2. Accounting Deficiencies

(a) A sum of Rs.1,131,988 had been spent to repair the Double Cab bearing Number 252-6544, through the provisions in the Ministry of Local Government, of the Central Provincial Council. Action had not been taken to assess the value added due to the repairs to this vehicle and adjust the accounts.

(b) The work debtors amounting to Rs.74,716, had been brought to account under sundry debtors.

1.3.3. Accounts Receivable and Payable

a) Accounts Receivable

The total value of balances of accounts receivable as at 31 December 2013 amounted to Rs.8,830,313, and out of this, total account balances exceeding 1 year, was Rs.1,961,567. Out of this balance, Rs.1,961,567 was further receivable as at 30 October 2014.

b) Accounts Payable

The total balances of account payable as at 31 December 2013 amounted to Rs.10,707,844, and out of this, total accounts balances over one year amounted to Rs.3,313,032. Out of this balance, Rs.2,734,098 was further payable even as at 30 October 2014.

1.3.4. Lack of Evidence for Audit

Transactions totalling to Rs.18,677,958 could not be examined satisfactorily, due to non-submission of required information to audit.

1.3.5. Non-compliance with Laws, Rules and Regulations

In accordance with the provisions in the Stamp Fees (Special Provisions) Act No. 12 of 2006, the stamp fees charged during the quarter should be remitted to the Commissioner General of Inland Revenue on or before the 15th of the following month. But a sum of Rs.23,546 had been kept in the deposits account since the year 2009.

2. Financial Review

2.1. Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.1,170,877, as compared with the excess of revenue over recurrent expenditure amounting Rs.532,115 for the preceding year. Therefore the financial result had been improved by Rs.638,762.

2.2. Working Capital Management

The ratio between total current assets and current liabilities was 1.3:1, and the ratio in the preceding year was 1.2:1. Hence the liquidity position of the Sabha was not in a safe state.

2.3. Revenue Administration

2.3.1. Rates and Taxes

60% of the arrears as at the beginning of the year had been recovered, whilst a sum of Rs.3,065 of the opening balance of the arrears had been written-off. An arrears of Rs.486,391 was observed as at 31 December 2013, and out of this Rs.220,275 was further due as at 30 September 2014.

2.3.2. Lease Rent

The balance of arrears as at the beginning of 2013 amounted to Rs.66,337 and the amount billed for the year inclusive of the surcharge was Rs.452,620. Out of this, the collections during the year had been 41% and 87% respectively, whilst the arrears at the end of the year was Rs.97,469. Out of this arrears, Rs.41,299 was further due as at 30 September 2014.

2.3.3. Water Charges

The arrears at the beginning of the year under review was Rs.212,140 and amount billed during the year amounted to Rs.594,525. Out of this, the percentage of collections during the year had been 80% and 73% respectively. As a result of the delay in recovering, a sum of Rs.18,959 had been written-off during the year, whilst the arrears at the end of the year was Rs.180,884. Out of this arrears, Rs.39,315 was further due as at 30 September 2014.

2.3.4. Acre Taxes

The opening balance of the arrears in the year under review amounted to Rs.41,410 and the amount billed for the year inclusive of the surcharge was Rs.41,155. The percentage of collection of this income had been 18% and 57% respectively. As a result of the delay in recovering, a sum of Rs.17,356 out of the opening balance of the arrears in the year had been written-off during the year, whilst Rs.26,545 out of the opening balance of the arrears was further due as at 30 September 2014.

2.3.5. Meat Stall and Fish Stall Rent

The opening balance of the arrears in the year under review amounted to Rs.33,446 and the amount billed for the year inclusive of the surcharge was Rs.572,960. Out of this, the income collected during the year had been Rs.30,846 and Rs.536,418 respectively, and the relevant percentages were 92% and 94% respectively.

2.3.6. Registration Fees of Three-wheelers and Bicycles

The opening balance of the arrears in the year under review, and the closing balance of the arrears in the preceding year, had not been disclosed, whilst a sum of Rs.244,002 had been billed and collected on cash basis during the year. The relevant registers had not been updated and maintained properly, and according to the information reported, the income to be billed, for parking fees and stickers amounted to Rs.177,800 and Rs.20,300 respectively, and these amounts aggregated to Rs.198,100.

2.3.7. Court Fines and Stamp Fees

The amounts receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2013 had been Rs.88,000 and Rs.500,000 respectively. Out of this arrears, Rs.88,000 and Rs.387,450 remained unrecovered further as at 30 September 2014, respectively.

2.3.8. Hording Charges

Action had not been taken as stipulated in the Gazette Notification No. 1972 dated 04 January 2013 of the Republic of Sri Lanka, to collect the fees, amounting to Rs.118,800 in the year 2013 for the hording, displayed within the area under the authority of the Sabha,

2.3.9. Transmission Towers Charges

- (a) Though annual business taxes should be collected from the companies which had been provided with communication facilities through transmission towers, business taxes had not been collected from 06 companies. The income due for the Sabha during last 03 years had exceeded Rs.72,000.
- (b) It was revealed during the physical inspection, that 05 out of 08 transmission towers installed in the area under the authority of the Sabha had been unauthorised constructions.

3. Operating Review

3.1. Management Inefficiencies

The contributions payable to the Director General of Pensions, in respect of employees who had served in the Sabha, had not been paid and the arrears as at 31 December 2013 amounted to Rs.574,267.

3.2. Operating Inefficiencies

The following matters are observed.

- (a) 44 entities provided with water for business purposes through household water connections were identified in 03 locations in the area under the authority of the Sabha. Action had not been taken to provide the water metres separately for the customers and collect the water charges in a proper manner.
- (b) Attention had not been paid to systemize the registration of Three-wheelers and collect revenue by eradicating the inconveniences, in accordance with the by-law.
- (c) Hotels and 02 guest house located within the area under the authority of the Sabha, and registered in the Tourist Board had been identified. Though the Sabha had collected annual licence fees of Rs.86,927 from them in the year 2013, the licence fees had not been calculated correctly, as stipulated in the Sections 149 of the Pradeshiya Sabha Act No. 15 of 1987.

3.3. Idle and Underutilized Assets

03 items of assets valued at Rs.1,910,575 as at the end of the year under review, had been kept underutilised.

3.4. Contract Administration

The following matters are observed.

- (a) A sum of Rs.1,961,567 rejected for payment, due to construction deficiencies, had been brought forward under works debtors since the year 2011.
- (b) A sum of Rs.2,610,914 rejected for payment by other Ministries, due to deficiencies in the implemented work, had been brought forward under works creditors since the year 2011.
- (c) A sum of Rs.6,223,545 relevant to two works, remitted by the Ministry of Live Stock , had been paid to the contractors. Due to the deficiencies in construction work, the Ministry had requested for a refund of Rs.1,765,254 out of this money, and action had not been taken either to settle the amount or recover these erroneous payments from the persons responsible.

4. Accountability and Good Governance

4.1. Corporate Plan

A corporate plan had not been prepared for the Sabha in the year under review.

4.2. Procurement Plan

Though capital expenditure of Rs.16,495,430 had been incurred by the Sabha in the year under review, a procurement plan had not been prepared for the above.

4.3. Action Plan

Since an action plan had not been prepared in the year under review, reports with respect to conducting of progress review were also not presented to the audit.

4.4. Internal Audit

Adequate internal audit had not been carried out by the Sabha during the year under review.

4.6. Budgetary Control

The budget prepared by the Sabha in the year under review had not been made use of as an effective tool of control. When the estimates and, actual revenue and expenditure, in the year under review were compared, variances in the range of, 07% to 46% in respect of 04 items of revenue, and variances in the range of 05% to 62% in respect of 07 items of expenditure were observed.

5. Systems and Controls

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

- a) Accounting
- b) Internal Control
- c) Revenue Administration
- d) Debtors and Creditors Control
- e) Assets Management
- f) Stocks Control
- g) Contract Administration