

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 31 March 2015 while Financial Statements relating to the preceding year had been submitted on 05 May 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 14 July 2015.

1.2 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 2014 and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following observations are made.

- (a) Although according to Votes Ledgers and Provision for Creditors, purchases of Street Lamps Equipment, Stationery and Office Equipment had been Rs.3,717,814 and Rs.1,502,881 respectively, a sum of Rs.3,628,229 and a sum of Rs. 2,135,677 respectively had been accounted in Stocks Accounts.
- (b) While 03 Items of Assets purchased for Rs.65,350 had been capitalized, it had been accounted again as purchase of sundry stocks of goods.
- (c) Although the amount payable for Works Projects relevant to the year under review was Rs. 70,483,379, a sum of Rs.65,732,928 only had been accounted as accrued expenditure.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs. 167,182,420 could not be satisfactorily vouched in audit due to non-submission of required information to audit.

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 2014 had been Rs.37,292,601 while the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.46,445,192.

2.2 Financial Control

- (a.) The total of loan balances outstanding from 16 officers who had deceased, retired, and left on transfers as at 31 December 2014 was Rs. 189,448.
- (b.) There was a Street Lamps Grant balance of Rs, 7,437,096 and Pre-payments balance of Rs. 1,717,893 which were being brought forward over a number of years.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information as furnished by the Secretary 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	24,239	13,850	20,571
(ii)	Lease Rent	4,265	3,234	4,127
(iii)	Licence Fees	196	176	32
(iv)	Other Revenue	22,439	22,439	-

2.2.2 Rates

The balance of Rates in arrears as at 31 December 2014 was Rs. 19,596,648. Out of that, a sum of Rs. 4,273,569 only had been recovered as at 30 June 2015, date of audit. While there were 53 properties with more than Rs. 10,000 in arrears, in the balance of arrears, the total value of those had been Rs. 1,124,641. Out of the above balance in arrears, a sum of Rs.9,180,754 was due from the area of authority of the Keselwatta Sub-office.

2.2.3 Business Tax

While the balance of Business Tax in arrears as at 31 December 2014 was Rs. 723,831, out of that, a sum of Rs. 104,260 only had been recovered as at 30 June 2015, date of audit. According to Business Tax Registers in the Wadduwa Sub-office, there were 215 Businessmen who did not pay Business Tax for a period of 1 to 4 years.

2.2.4 Industrial Tax

While the balance of Industrial Tax in arrears as at 31 December 2014 was Rs. 224,210, out of that, a sum of Rs. 16,750 only had been recovered as at 30 June 2015. According to Industrial Tax Registers in the Wadduwa Sub-office, there were 78 Owners of Industries who did not pay Industrial Tax for a period of 1 to 4 years.

2.2.5 Trade License Fees

Out of Trade License Fees in arrears as at the end of the year under review, a sum of Rs.11,550 was in arrears even as at 30 June 2015, date of audit.

2.2.6 Rent of Buildings

Rent Receivable as at 31 December 2014 amounting to Rs. 4,127,084 from the Police Station functioning in the premises of the Keselwatta Sub-office had not been recovered even as at 30 June 2015, date of audit. According to the revenue reports provided by the Keselwatta Sub-office, the balance of arrears was Rs. 4,178,482.

2.2.7 Court Fines and Stamp Fees

Amounts Receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2014 were as follows.

	Rs.
Court Fines	5,111,528
Stamp Fees	50,000,000

3. Operating Review

3.1 Improper Transactions

A sum of Rs. 141,485 during the year 2014, a sum of Rs. 155,135 during the year 2013 and a sum of Rs. 57,020 during the year 2012 had been paid out of Sabha Fund for home delivery of newspapers to the Residences of the Chairman, the Vice Chairman and the Members based on approval of the Chairman, in spite of the fact that provision had not been made through Section 132 of the Pradeshiya Sabha Act No. 15 of 1987.

3.2 Contract Administration

- (a) Fulfillments of Number of Contracts by Same Society during Same Period
Although according to the Public Finance Circular No. 1/2012 dated 05 January 2012, when assigning direct contracts to Community Based Societies, those societies should not engage in more than 3 contracts, contrary to that, 06 contracts had been performed by one particular society during a same period since February 2014.
- (b) Restoration of Resources Centre in Veragama, Alwis Avenue as a Garbage Management Centre
Resources Centre constructed in a land belongs to the Sabha in Veragama, Alwis Avenue had been restored as a Garbage Management Centre having spent Sabha Funds amounting to Rs. 496,223. Following matters were observed at the field inspection carried out with the Technical Officer of the Sabha on 22 May 2015.
- (i.) Although a sum of Rs 165,375 had been estimated for making it possible to fix the wire net by welding a wrought iron wire with a radius of ½” and applying anti corrosive paint twice under item 2 of the estimate, a sum of Rs. 161,325 had been paid. While the wire welded had been a ¼” wire, it was getting rusted as any paint had not been applied.
- (ii.) The land where building was situated had been entirely covered with wild plants, and construction had been abandoned without being used for any purpose.
- (c) Completion of Works in Upper Floor of the SevaPiyasa , Molligoda North
- (i.) Although a sum of Rs. 61,000 had been estimated according to work item No. 116(16) of the estimate to supply and fix 3 feet high Hand Supporters to the stair case as per instructions to be given and finishing the wooden parts with primary paint and Polyurethane Paint and same amount had been paid; wooden primary paint or Polyurethane Varnish had not been applied for the 5 connecting wooden posts of the Hand Supporter and all wooden parts had got discoloured due to opening those to sun light and rain.
- (ii.) Although a sum of Rs. 45,105 had been estimated according to work item No.(11) of the estimate to put a 1:3 cement and sand mixture layer on the floor and smooth it with coloured cement and a sum of Rs. 43,856 had been paid; coloured cement coat applied on the surface of the floor had not been smoothened.
- (iii.) Although a sum of Rs. 13,972 had been estimated according to work item No.115(9)) of the estimate to supply and fix roof side boards of approved category of timber and same amount had been paid; surface of roof side boards had not been painted.

- (iv.) It had not been estimated to provide skirting for the upper floor ground and walls and therefore finish had not been complete.
- (d) Construction of Retaining Wall and the Security Fence in the Gorakana Cemetery Ground (Stage 2)
 - (i.) Although a sum of Rs. 200,880 had been estimated according to work item No.7 of the estimate to supply, paint and fix GI Pipes of 3” radius and 3.6 mm thick and same amount had been paid; radius of the pipes had been 2 ½”only.
 - (ii.) Although a sum of Rs. 49,680 had been estimated according to work item No.8 of the estimate to supply flat iron tapes of size 20 mm x 6 mm, drill 9 holes and fixing to the net to pipes and same amount had been paid, net had been fixed to the GI Pipes with a wire of ¼ in size.
- (e) First Sub-way to the left of the Verawatta Sri Vijaya Road and the Sub-way near the House No. 29 in Thotawatta Sir RazeekFareed Avenue

While concrete block stone had been laid for the two roads mentioned above having estimated a sum of Rs. 287,817 and a sum of Rs. 189,750 respectively, at the physical inspection carried out with the Technical Officer of the Sabha on 22 May 2015, it was observed that residents on two sides of the roads had unfastened the block stones to drain out spoiled water of the houses to the road and PVC Down Pipes had been laid having damaged the road without any plan. Any course of action had not been taken by the Sabha in this connection.

3.3 **Operating and Management Inefficiencies**

- (a) Payment of Planning Committee Allowance
 - (i.) According to Attendance Registers and Leave Registers, the Secretary of the Sabha and the Subject Clerk had obtained Planning Committee Allowance amounting of Rs.13, 650 for 21 days, when they were on duty leave or private leave.
 - (ii.) While it was observed in sample audit checks carried out with regard to Planning Committees held in the Keselwatta Sub-office that the Committee had not been conducted for 2 hours after the duty time, according to departure time of officers recorded in the finger marks printing machine, Committee Allowance amounting to Rs. 45,000 had been paid for 14 days, contrary to Paragraph 15 of the Circular No. LG/07/2004 dated 15 December 2004 of the Commissioner of Local Government.
- (b) Operation of JCB Machine

While a sum of Rs. 839,990 had been paid for 8842 liters of fuel for JCB Machine belongs to the Sabha for running 1291.2 kilo meters during the year 2014, a sum of Rs. 399,795 for repair expenses and purchase of tires and tubes, and a sum of Rs. 123,993 for

1870 overtime hours of the operator had been paid. Accordingly, a sum of Rs. 1,363,778 had been paid for the machine during the year. However, income received to the Sabha as hire charges had been only Rs. 874,940. Similarly, a register had not been maintained with regard to utilization of the machine by the Sabha.

(c) Losses and Damages

- (i.) Out of the 512 GI Pipes provided to the Sabha in November 2014 through the Divi Neguma Department without a request from the Sabha, only 106 Pipes were available as at 07 April 2015, date of audit. Any particulars with regard to receipts and issues of these pipes had not been noted in stock books or any other register.
- (ii.) Action had not been taken to recover the value of 34 books amounting Rs. 3,697 taken out and not returned according to the Board of Survey Reports for the year 2013.

4. Systems and Controls

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

- (i.) Accounting
- (ii.) Budgetary Control
- (iii.) Revenue Administration
- (iv.) Contract Administration