

Pelmadulla Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 07 May 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 10 August 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 Pelmadulla Pradeshiya Sabha as at 31 December 2014, its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following deficiencies are observed.

- (a.) A sum of Rs. 230,382 paid as Incidental Allowances on behalf of 06 Members participated in Thailand foreign tour during the year 2013 had been accounted as expenditure for the year under review.

- (b.) Rates Discount allowed amounting to Rs.100,847 relevant to the year under review had been adjusted to the Accumulated Fund through journal entries instead of adjusting to the expenditure for the year through Expenditure Heads.
- (c.) Assets valued a Rs. 8,380,000 received as Donations during the year under review had not been accounted as Assets Donations Reserve through Contribution from Revenue to Capital Outlay Account.
- (d.) While a sum of Rs. 677,333 had been identified as arrears of Court Fines Revenue relevant to the period from January September 2014 from Pelmadulla Magistrate Court, any revenue from the Ratnapura Magistrate Court had not been identified. A lesser value such as Rs. 57,583 relevant the year 2013 had been identified as Court Fines due from Ratnapura Magistrate Court. Accordingly Courts Revenue had been over billed in a sum of Rs. 2,500,000.

1.3.2 Un-reconciled Control Accounts

Difference between the balances relevant to 07 Items of Accounts according to financial statements as at 31 December 2014 and the Balances according to subsidiary Registers was Rs.53,290,327.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

**Reference to Laws, Rules, Regulations
etc.**

(a.) Pradeshiya Sabha Act No. 15 of 1987

Section 132 (k)

(b.) Circular No. C.L.G. 1/2009
(Amendments) dated 22 December 2009
of the Commissioner of Local
Government

(c.) Financial Regulations of the Democratic
Socialist Republic of Sri Lanka

(i.) Financial Regulation 371(2)

(ii.) Financial Regulations 571

Non-compliance

- Expenditure amounting to Rs. 61,250 relevant to 03 instances had been incurred out of the Sabha Fund for development works in religious places during the year without approval of the Minister.
- Although Combined Allowance could be obtained for journeys performed to fulfill official duties directly connected with the administrative works outside the area of authority of the Local Authority, a sum of Rs. 89,000 had been paid as Combined Allowance to the Chairman out of the Sabha Fund during the year 2014 without any mention or confirmation of own duty or approval for the duty.
- Action had not been taken get settled advances issued amounting to Rs. 4,125,028 during the period from the year 2013 to 22 June 2015.
- Although Deposits exceeding 02 years should be cleared, such action had not been taken with regard to 231 Deposits valued at Rs. 2,127,645 obtained up to the year 2012.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs.6,742,653 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,077,172.

2.2 Analytical Financial Review

While surplus of financial operations for the year under review had been increased by Rs. 4,665,480, it was an increase of 224 per cent. It was mainly due to the decrease in recurrent expenditure when compared with that for the preceding year.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Item of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
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	Rs '000	Rs '000	Rs '000
(i.) Rates and Taxes	4,431	6,779	8,307
(ii.) Lease Rent	1,350	1,381	1,663
(iii.) License Fees	1,352	1,593	84
(iv.) Other Revenue	12,436	15,412	7,021

2.3.2 Performance in Revenue Collection

When actual revenue for the year under review is compared with the estimated revenue, decreases of 10 per cent, 11 per cent and 53 per cent were reflected in Rates, Charges for Services, and Warrant Charges and Fines respectively.

2.3.3 Rates

Following observations are made.

The total of rates in Arrears for more than Rs. 3,000 per unit due to the Sabha as at 31 December 2014 amounted to Rs. 1,052,953. Adequate action had not been taken to Rates in Arrears. The long delay in changing names of owners subsequent to exchange of properties had been the basic reason for falling into a large amount of Rates.

2.3.4 Acreage Tax

Acreage Tax in arrears to be recovered as at 22 June 2015 amounted to Rs. 62,591.

2.3.5 Lease Rent

Stalls Rent in arrears outstanding continuously from stalls belong to the Sabha over a long period of years amounted to Rs. 297,368.

2.3.6 Court Fines and Stamp Fees

Action had not been taken to get the schedules relevant to Court Fines for the period from October to December and the schedules relevant to Stamp Fees for the period from September to December of the year under review and to recover the specified revenue.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) It had been ordered to pay a sum of Rs. 10,000 as inquiry charges on the basis of failure in not being present in courts and to submit explanations as the accused party by the Sabha, according to a court judgment given relevant to a land case examined in the Ratnapura District Court. It was observed that, this inquiry charges had to be paid due to failure in not paying proper attention to court works and action had not been taken with regard to recovery of that money from the persons responsible or any further step.

- (b.) It had not been possible to recover a loan balance of Rs. 159,171 over a number of years due from 22 officers and employees who were in service of the Sabha.

3.2 Improper transactions

Following observations are made.

- (a.) A sum of Rs. 75,000 had been spent as entertainment expense for Officers and Members at the General Meeting held on 22 December 2014. For sanctioning the Budget.

- (b.) Although a vapor lamp with maximum capacity of 110 Watts High Pressure could be fixed to an electrical post on "A" Grade Roads in business areas situated in a rural area, in terms of provisions in Circular No. PE/01/01 dated 17 August 2010 of the Secretary to the Ministry of Power and Energy, 05 Cobra Street Lamps of 250 watts had been purchased for a sum of Rs.47,500 and fixed in 05 places.

3.3 Foreign Travel Expenses

The Chairman and 05 Members had participated in a training programme held in Malaysia for observation study in Solid Waste Management Technology and Practices during 02 to 07 November 2014 on the basis of an E-mail letter received from a private institution without a specific letter of invitation and a sum of Rs. 780,000 had been spent out of the Sabha Fund at the rate of Rs.130,000 per head. Following matters were observed in this connection.

- (i.) Leave had not been approved by the Governor before going abroad.
- (ii.) Although the approval of the Minister had been received only a part of the expenses to be incurred for the tour out of the Sabha Fund, the full amount for the tour had been paid out of the Sabha Fund.
- (iii.) It had been stated in the Circular dated 09 September 2010 of the Secretary to the Ministry of Local Government and Provincial Council, that all expenses to be incurred and facilities for foreign training programmes should be born by the relevant Organization or Foreign Government or Foreign Institution in the event of selection of a Head of Local Authority, Representative or Member or a member of Local Government. Action had been taken disregarding those provisions.
- (iv.) Although a report should be given within one month after end of the training, explaining the manner in which the knowledge obtained through the training for local utilization, such report had not been submitted.

3.4 Idle/Under-utilized Assets

Single Drum Vibrate Machine and the Tipper Vehicle received to the Sabha had not been suitable for the requirements of the Sabha and had not been possible to perform along the Sabha roads. Accordingly, those assets had been kept in the Sabha premises without adequate utilization.

3.5 Contract Administration

Following observations are made.

(a.) Deviating from the limitations mentioned as Neelagama Road Development Work entered into agreements on the basis of an estimate of Rs. 300,000 to be performed out of Sabha Funds, this road had been constructed as a bridge by constructing concrete posts on the drain for water flow in the stretch of rubber land in the road. Following matters were observed at the field inspection carried out on 23 June 2015.

- (i.) Vesting the ownership of the road to the Sabha had not been done.
- (ii.) While estimate had not been prepared for the full construction, estimate had been prepared for a part of 44 Feet long and a sum of Rs. 60,000 had been paid as an advance for that.
- (iii.) Any evidence was not observed to establish that the possible obstacles for the water flow and possible adverse effects to be faced with due to half construction of this work were identified by the relevant parties.

(b.) Construction of a Small Bridge near Narangoda, Nidangala Bodhi Viharaya

Following matters were observed at the field inspection carried out on 23 June 2015 with regard to this work entered into an agreement valued at Rs. 1,650,000, under financial provisions of the Sabaragamuwa Provincial Council during the year under review.

- (i.) Only the concrete posts of the bridge had been constructed and the work had been stopped half way, and any benefit had not been received from the part constructed at present as the concrete slab required to travel on the bridge had not been constructed.
- (ii.) As two houses had been constructed closely on the two sides of the road, the road access had been narrowed about 2.5 meters. The edge of the concrete slab of one building and the edge of the building on other side had been constructed pointing towards the road limiting the usage of the access road further.

3.6 Solid Waste Management

Following matters were observed at the field inspection carried out on 23 June 2015 with regard to The Solid Waste Management Project maintained by the Pradeshiya Sabha.

- (i.) Garbage collected daily had been dumped in the two halls and already had been filled without space. Due to this, the space and facilities required for sorting out sending upcoming garbage for recycling was not adequate.
- (ii.) It was observed that the tanks for collection of spoiled water were not adequate and water cleaning process is not in right operation. Due to that, accumulating water is released through pumps to the surrounding environment causing other environmental hazards.
- (iii.) The worms forming due to garbage could be largely seen in the surrounding environment, and action taken to curb those worms was not adequate.
- (iv.) The employees in service of the Project are sorting out the garbage by hand at present and there was a health risk due to unsafe practice.
- (v.) While accumulating plastic and polythine material had been stacked in the ground, a proper documentation had not been done with regard to marketing those.
- (vi.) Adequate facilities had not been built up for this garbage Project commenced as a solution to very sensitive environmental problem.

4. Systems and Controls

Special attention is needed in the following areas of controls.

- (a.) Accounting
- (b.) Budgetary controls
- (c.) Revenue Control
- (d.) Assets Management
- (e.) Contract Administration
- (f.) Solid Wastes Management