

**Pathadumbara Pradeshiya Sabha
Kandy District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 31 March 2016 while Financial Statements relating to the preceding year had been submitted on 31 March 2015 and the Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 29 June 2016.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Pathadumbara Pradeshiya Sabha as at 31 December 2015 and its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

A sum of Rs. 175,000 spent during the year under review in 02 construction votes had not been capitalized, and the value of 37 Lands and 77 Tube Wells belong to Sabha had not been valued and accounted.

1.3.2 Non-reconciled Control Accounts

It was revealed a difference of Rs. 678,645 between the balances as per the financial statements and ledger account balances of 06 account objects.

1.3.3 Accounts Receivable

While the value of 06 Accounts Receivable balances as at 31 December 2015 was Rs. 49,730,284, out of that value of balances that had been outstanding over 01 year was Rs. 9,139,640.

1.3.4 Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2015 was Rs. 14,990,527, out of that, the value of account balances that had been outstanding over 01 year was Rs. 2,339,003.

1.3.5 Lack of Evidence for Audit

Transactions totaling Rs. 32,303,404 relating to 03 items of accounts could not be satisfactorily examined in audit due to non-submission of required information to audit.

1.3.6 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance were observed

	Reference to laws, rules and regulations etc.	Non-compliance
(a)	Pradeshiya Sabha Act No. 15 of 1987 ----- 132(J)	A sum of Rs. 42,000 had been spent in giving school bags for nursery children without getting the prior written approval of the Minister of relevant subject.
(b)	Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988. ----- 218	Actions had not been taken to conduct annual examination of all lands and buildings belong to Sabha.
(c)	Financial Regulations of the Republic of Sri Lanka -----	
(i)	571(2)	Action had not been taken with relating to Time lapsed deposits of Rs. 1,432,267 which deposited in 68 instances.
(ii)	1645	Running charts of the vehicle No. 32-4636 had not been maintained from 27 June 2014 to 25 February 2016, and a sum of Rs. 36,169 had been spent from Sabha fund for 306 liters of fuel to travel 12,247 km during that period.

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 2015 amounted to Rs. 30,987,773 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 18,675,194. Accordingly, an improvement in a sum of Rs. 12,312,579 was observed in the financial results.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information furnished by the Secretary relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review and the previous year are shown below.

Item of Revenue	as at 01.01.2015		Year 2015			Receipt of 2015		Arrears as at 31.12.2015
	Arrears	Receipt in Advance	Billings	Surcharges	Discount Given	Receipt from Arrears	Receipt from Billings	
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	
Rates and Taxes	2,412,398	519,586	5,616,848	233,324	182,159	983,965	3,186,342	3,390,518
Rent Income	389,847	--	3,336,140	--	--	39,816	3,284,840	401,331
License Fees	--	--	2,358,260	--	--	--	2,358,260	--
Other Revenue	22,882,518	--	37,008,522	--	--	17,542,947	6,357,086	35,991,007
Total								39,782,856 =====

The total revenue balance of Rs. 39,782,856 was in arrears as at 31 December of the year under review.

2.2.2 Rates

While the rates balance in arrears at the beginning of the year under review amounted to Rs. 2,412,398, billing for the year was Rs. 5,616,848. The percentage of recovery during the year out of arrears had been 40 per cent and billing 58 per cent. Rates in arrears as at 31 December 2015 were Rs. 3,390,518, and out of that, the balances over 01 year were amounting to Rs. 1,428,433.

2.2.3 Water Charges

Following matters are observed.

- While Water Charges in arrears as at 31 December of the year under review was of Rs. 382,701, out of that balance the amount in arrears that had exceeded a period of more than 01 year was Rs. 93,849.
- Actions had not been taken to recover Water Charges income arrears of Rs. 25,210 of the Megammana Yatawara Water Scheme which is not in operation since 01 January 2015.

2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs. 252,698 and Stamp Fees amounting to Rs. 35,355,608 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015. Out of that balance the amount in arrears that had exceeded a period of more than 01 year was Rs. 5,245,722.

3. Operating Review

3.1 Management Inefficiencies

Windows, Doors, Frames of the Napaana auditorium had been fallen away, and the effective activities could not be performed due to the chairs etc. in the auditorium were remained in decayed condition.

3.2 Operational Inefficiencies

Following matters are observed.

- (a) Although Pradeshiya Sabha building had been constructed in the land belongs to the Pathadumbara Divisional Secretariat by spending a sum of Rs. 27,955,343 as at the year under review, actions had not been taken to undertake the lot of land with 0.1028 Hectares, where that building is situated even up to 31 May 2016.
- (b) The amount applied for building applications during the last 03 years was 728, and the amount approved was 585. However 93 Certificates of Conformity had only been issued during the whole 03 years.
- (c) Actions had not been taken to recover a loan of Rs. 33,886 due from officer who transferred out in the year 2004, up to 31 May 2016.
- (d) A building suitable for a business had been constructed close to the road in front of the Napana auditorium by covering with sheets 25'.0"x21'.0" sized and glassed door in front without the authority of Pradeshiya Sabha. The building was constructed away 28'.0" away from the center of the road belong to the Road Development Authority, and no action had been taken in this regard by the Sabha.

3.3 Contract Administration

3.3.1 Repair of Madawala Market Complex- Rs.336,808

Following matters were observed in the physical inspection carried out in this regard on 25 February 2016.

- (a) Though as per the work item No. 02 the window frames should be made by using the 4'X3" timber, it had been constructed by using 3 ½ "X2 ½ " timber.
- (b) Though the size of 15'.0"X2'.0" of the concrete roof had been removed to get lighting to inside stalls in upstairs, reinforcements had been opened to the air. Therefore those wires were fall away as it was got caught to sun and rain, and the tendency of damaging to the durability of the concrete roof of the building were available.

3.3.2 Renovation of Ambathenna Public Toilet - Rs.849,188

Though the water is compulsory need for a toilet, the water connection had been suspended from a long time, and though the completion of repairs of the toilet had been lapsed nearly one year, the cost of Rs. 844,188 incurred had been a fruitless expenditure as allowing it to be ruin without using.

3.3.3 Construction Contract to Develop Sarasavi Mawatha in front of Salawana Temple - Rs.1,119,608

Following matters were observed in the physical inspection carried out in this regard on 25 February 2016.

- (a) After 10 months of completion the construction of retaining wall by spending an amount of Rs. 1,119,608 in the year 2013 in view of preventing the damage caused to the road from the canal flowing parallel to the road had been fallen to the adjoined canal and destroyed.
- (b) The retaining wall constructed adjoining the road was with bends, and though the wall should therefore be constructed to bare the load of the water coming directly to the wall from the top, that was not considered.
- (c) It was observed that, the broken pieces of the wall were fallen into the canal due to the estimate had been prepared to construct the above retaining wall only from concrete without reinforcements.
- (d) Actions had not been taken to identify the possibilities of damages could be occurred to the Canal and the retaining wall, and also, actions had not been taken to identify the risk involves prior to the construction.

4. Accountability and Good Governance

4.1 Budgetary Control

According to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 24 per cent to 92 per cent in 05 items of revenue and variations from 31 per cent to 68 per cent in 02 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

4.2 Annual Procurements Plan

An Annual Procurement Plan had not been prepared for the year under review.

4.3 Assets Management

Idle / Under-utilized Assets

Following matters were observed.

- (a) While 03 vehicles valued at Rs. 1,260,000 had been kept idle for more than a period of 03 years to 08 years, actions had not been taken to bring those assets to normal condition or to take other suitable action.
- (b) Two vehicles and a machine valued at Rs. 9,000,000 were kept idle and under-utilized.
- (c) Seven stalls out of the 12 stalls constructed in Madawala Market Complex had been closed. It had not been ideal for business due to non-constructing in identical for business and easy access to customers, and also improper construction.

5. Systems and Controls

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

- (a) Accounting
- (b) Internal Control
- (c) Revenue Administration
- (d) Debtors / Creditors Control
- (e) Inventory Control
- (f) Contract Control