

Pathahewaheta 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 28 March 2016 while Financial Statements relating to the preceding year had been submitted on 30 March 2015. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 31 May 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 Pathahewaheta 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

Value of 05 lots of land belong to Sabha and the value of fertilizer stock remained in the compost yard as at 31 December year under review had not been calculated and accounted.

1.3.2 Accounts Receivable

While the value of 06 Accounts Receivable balances as at 31 December 2015 was Rs. 72,416,396, out of that value of balances that had been outstanding over 01 year was Rs. 49,094,066.

1.3.3 Accounts Payable

While the total value of 02 Accounts Payable balances as at 31 December 2015 was Rs. 29,210,793, out of that, the value of account balances that had been outstanding over 01 year was Rs. 7,365,596.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs. 47,252,891 relating to 04 items of accounts could not be satisfactorily examined in audit due to non-presenting of required information to audit.

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

Actions had not been taken to conduct annual examination of all lands and buildings belong to Sabha In terms of No. 218 of Pradeshiya Sabha (Financial and Administrative) Rule Code of 1988.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2015 amounted to Rs. 16,481,289 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 19,628,643. Accordingly, a decline in a sum of Rs. 3,147,354 was observed in the surplus.

2.2 Analytical Financial Review

Some significant ratios with regarding the financial position and financial performance of Pradeshiya Sabha were shown below.

(a) Excess to Operating Income

The excess of financial result of the year under review and the previous 02 years as a percentage of the operating income, that percentage is shown a deterioration.

(b) Comparison between Total Income and Total Expenditure

It was shown an increase in the percentage of total expenditure for total income during the year under review and the previous 02 years, thus indicating an unfavorable impact on financial control.

(c) Cumulative Fund

A continuous decrease was shown in the balance of cumulative fund in the year under review and 02 previous years.

(d) Surplus.

A decline of Rs. 9,788,825 was observed in overall surplus of the year under review as compared with the overall surplus of the previous year, and decrease in 02 revenue items and increase in 03 expenditure items in the year 2015 had been the main reason for this decline.

2.3 Revenue Administration

2.3.1 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	Arrears as at 01.01.2015	Billings for the year 2015	Surcharges	Discount Given	Receipt from Arrears	Receipt from Billings	Balance Arrears as at 31.12.2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	4,274,748	2,329,390	240,141	64,621	578,959	1,265,217	4,933,054
Acreage Tax	1,023,444	--	--	--	--	--	1,023,444
Lease Rent	388,376	1,395,420	78,756	--	354,635	1,054,286	453,631
License	--	2,448,629	--	--	--	2,448,629	--
Other	33,712,713	24,935,615	--	--	3,611,446	19,276,287	<u>35,760,595</u>
Total							<u>42,170,724</u>

The total revenue balance of Rs. 42,170,724 was in arrears as at 31 December of the year under review.

2.3.2 Rates

Following observations are made.

- While there was a balance of arrears amounting to Rs. 4,274,748 as at the beginning of the year under review, billings amounted to Rs. 2,329,390. Out of these balances, the percentage of recovery during the year had been 13 per cent and 54 per cent respectively, the balance of Rates in arrears as at the end of the year under review was Rs. 4,933,054. Actions in terms of Section 158(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to recover the balances in arrears which had exceeded more than a year amounting to Rs. 3,695,789.
- Although the properties in the area of authority of the Sabha should be assessed once in 05 years and Rates should be recovered accordingly, Rates had been recovered during the year under review according to the assessment made in the year 2008 as well. Actions had not been taken to recover the rates outstanding balance of Rs. 1,134,384 receivable from 08 Government Institutions as at 31 December year under review.

2.3.3 Acreages Tax.

The arrears balance of Rs. 1,023,444 as at the opening of the year under review was carried forward from 03 years, and the proper procedures had not been followed to recover those arrears balances.

2.3.4 Stalls Rent

- (a) While there was a balance of arrears amounting to Rs. 388,376 as at the date of beginning of the year under review, billings amounted to Rs. 1,395,420. The balance of arrears as at the end of the year under review was Rs. 453,631 and this was included a balance of Rs. 231,410 receivable from one stall for more than 03 years.
- (b) The Sabha had lost of income of Rs. 251,400 hence non-taking actions to lease out by retendering after the laps of lease period of 03 stall belong to Sabha in Deltota Main Street.
- (c) According to the directions in Commissioner for Local Government Circular No. 1980/46 of 31 December 1980, Tax amendments had not been made for 59 stalls in Delthota and Galaha given on long term lease

2.3.5 Water Charges

Following matters were observed.

- (a) While there was a balance in arrears amounting to Rs. 11,693,378 as at 31 December year under review due to non-recovery of Water Charges as per the agreement, actions had not been taken to recover those arrears amounts in terms of paragraph 02 (iv) of the agreement entered with the water consumers.
- (b) The balance of areas water charges included erroneous billing of Rs. 1,123,120 which were remained as uncollected balance ted balance.
- (c) Out of 3460 water customers in 08 water schemes, 2642 had been charged a fixed charge without fixing water meters.

2.3.6 Other Revenue

Though a sum of Rs. 846,000 had been billed in the year under review as three wheel parking charges, a sum of Rs. 501,450 had been outstanding as at 31 December year under review.

2.3.7 Court Fines and Stamp Fees

Court Fines and Stamp Fees amounting to Rs. 23,565,766 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015.

3. Operating Review

3.1 Management Inefficiencies

Thirty four vacancies of the approved cadre of the Sabha were remained, and it was observed that some officers had covered many subjects due to non-filling of those vacancies.

3.2 Operational Inefficiencies

Following matters were observed.

- (a) Out of 644 building applications received during the year under review and previous 02 years for the approvals of plans as per the paragraph 21 of Urban Development Authority Act No. 41 of 1978, though 333 applications had been approved, Certificate of Conformity had been issued only for 60 applications.
- (b) Actions had not been taken even in the year under review to recover arrears loan balances of Rs. 29,635 receivable from 06 officers of who vacated of posts and transferred out as per the Paragraph 6 of Accounts Circular No. 95/9 of Central Provincial Chief Secretary dated 27 December 1995
- (c) According to the inquiries received to Sabha, sending of unauthorized orders to those people with regard to 10 unauthorized constructions had only been done, and any other actions had not been taken.

3.3 Contract Administration

Following matters were observed.

- (a) **Development of Side Wall of the Belwood Egodagama Kolaniya road - Rs. 694,215**

According to the estimate work item 03, though the rubble size of 6x9 should be used, the protection wall had been constructed by using larger in size, and though the wall surface should be plastered with 25mm thickness, the plastering had not been done. It was revealed in physical verification made on 18 February 2016 that though the construction of the wall should be done with 1:5 cement sand mixture, the mixture was in easily breakable low grade and pointing the joints had not been done properly.

- (b) **Development of Moragolla Saman Devalaya Road - Rs.300,000**

The horizontal crack and cleft had been occurred in one place of the road surface. Further, the concrete mixture of the road edges were in poor level, and Honey Comb states had been arose.

- (c) **Phase II Development of Moragolla to Maha Wanguwa Road. – RS.190,000**

The horizontal crack and cleft had been occurred in one place of the road surface. Further, the concrete mixture of the road edges were in poor level, and Honey Comb states had been arose. It was revealed in physical verification made on 18 February 2016 that, those parts were in poor quality which could easily be breakable from the hand.

4. Good Governance and Accountability

4.1 Budgetary Control

Following matters were observed.

- (a) It was observed that, the Budget Estimate had not been made use of as an effective tool of management, hence 28 budgeted and actual income Votes exceeding from 09 percent to 100 percent, and 52 expenditure Votes exceeding from 11 percent to 99 percent of considerable variance was observed even after transferring of allocations between income and expenditure Votes during the year under review.
- (b) The entire allocation of Rs. 4,457,434 provided for 31 expenditure Votes had been remained saving, and no revenue had been earned from estimated allocation of Rs. 188,518 of 05 revenue Votes.
- (c) Though the budget should be prepared from the proper estimate values taken from the technical officers for the projects to be implemented in the upcoming year from the priority preparation for the development proposals given in the previous year, without doing so, the budget estimates had been prepared and approved by considering the gross amounts of 101 constructions of Rs. 8,409,000 as Members provisions and a sum of Rs. 8,140,707 as common developments.
- (d) According to the budget estimate of the year, the main objectives had been to write deeds for Sabha assets, clear properties with fencing and boundary post, implement water projects in Anuragama, Unuwinna and Boragolla villages, expansion of authority area for rates, and opening of weekly faire in Belwood Sriyagama junction, those projects had not been implemented.

4.2 Assets Management

4.2.1 Idle / Under-utilized Assets

Following matters were observed.

- (a) Timber stock amounting to Rs. 456,575 saw from 02 Turpentine trees and 02 pines trees removed from the Moragolla Sabha premises before 06 years had been dumped in stores without using or recording in the registers.
- (b) Five vehicles amounting to Rs. 19,853,679 had been kept idle and under- utilized.

5. Systems and Controls

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

System	System Deficiency
(a) Fixed Assets	(i) Non-accounting of Sabha Buildings. (ii) Non-verifying the ownership of lands.
(b) Inventory Control	(i) Weaknesses in purchasing and issuing of stores items. (ii) Remaining of Idle stocks.
(c) Vehicle Control	(i) Improper maintenance of vehicle running charts. (ii) Non-monitoring of vehicle security. (iii) Non-transferring of ownership of vehicles.
(d) Revenue Administration	(i) Collecting of arrears income was in a poor level. (ii) Non-updating of income collecting registers.
(e) Contract Administration	(i) Commencing of constructions without standards. (ii) Non-performing of follow up actions. (iii) Weaken in supervision activities. (iv) Inability to use building due to non-completion of constructions.