

**Pujapitiya Pradeshiya Sabha**  
**Kandy District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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Financial Statements for the year under review had been submitted to the Audit on 29 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 15 June 2016.

**1.2 Qualified Opinion**

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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 Pujapitiya 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**

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**1.3.1 Accounting Deficiencies**

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The Cab valued to Rs. 6,390,000 and the land at Enasalmada valued to Rs. 5,926,000 had not been disclosed in notes to the accounts, though the Ministry of Provincial Council and Local Authorities had given to the Sabha in the year 2014 but not yet been transferred the ownerships.

**1.3.2 Non-reconciled Control Accounts**

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When compared with the Assets amount of Rs. 6,641,295 in 29 fixed assets mentioned in the sub schedule presented with the financial statements and the amount of Rs. 590,150 mentioned in the fixed asset register, an unreconciled amount of Rs. 6,051,145 were observed.

**1.3.3 Accounts Receivable**

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While the total value of Accounts Receivable balances as at 31 December 2015 amounted to Rs. 44,999,227, out of that total of balances which had exceeded a period of 01 year had been Rs. 8,951,623

**1.3.4 Accounts Payable**

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Out of the total value of Accounts Payable balances amounting to Rs. 33,238,913 as at 31 December 2015, the total of balances that had exceeded a period of 01 year had been Rs. 3,283,123.

### 1.3.5 Lack of Evidence for Audit

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Transactions totaling Rs. 71,505 relating to 02 items of accounts could not be satisfactorily examined in audit due to non-presenting of required information to audit.

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

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Following instances of non-compliance were observed.

	<b>Reference to laws, rules and regulations etc.</b>	<b>Non-compliance</b>
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(a)	Pradeshiya Sabha Act No. 15 of 1987	
(i)	19(i)(xi)	Ten perches land belongs to Sabha had been given to construct Samurdhi Office on lease basis without getting the prior approval of the line Minister in written.
(ii)	132(J)	A sum of Rs. 76,785 had been spent in getting uniforms for nursery children and for Bakmaha festival in 02 instances without getting the prior approval of the line Minister in written.
(b)	Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988.	
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	218	Actions had not been taken to conduct annual examination of all lands and buildings belong to Sabha.
(c)	Circulars	
	Paragraph 02 of Circular No. 1980/14 of Commissioner of Local Government dated 31 December 1980	Though the lease rents should be revised once in 05 years, actions had not been taken to get reports by assessing stalls in Market complexes at Poojapitiya and Ankumbura even it had been lapsed 09 years from the date of leased out.

## 2. Financial Review

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### 2.1 Financial Results

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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. 8,147,059 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 5,162,253. Accordingly, an improvement in a sum of Rs. 2,984,806 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 in Advance	Receipt from Arrears	Receipt from Billings	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	2,398,170	488,677	3,121,344	464,311	89,686	85,199	901,593	1,623,591	2,965,477
Rent	466,450	--	1,014,600	--	--	--	412,405	876,865	191,780
License Fees	--	--	1,458,500	--	--	--	--	1,458,500	--
Other Income	6,993,584	--	12,011,316	--	--	--	5,176,662	5,619,066	8,209,172
<b>Total</b>									<b>11,366,429</b>

It was observed that the arrears of revenue balance as at 31 December of the year under review was Rs. 11,366,429.

### 2.2.2 Rates

While there was a balance amounting to Rs. 2,374,312 at the beginning of the year under review, billings during the year was Rs. 3,119,161. The percentage of recovery during the year was 52 per cent. Accordingly, amount to be collected as at 31 December 2015 was Rs. 2,940,437. Out of that balance, value of balances that had exceeded a period of 01 year was Rs. 1,472,719.

### 2.2.3 Lease Rent

While there was a balance of Lease Rent in Arrears amounting to Rs. 191,780 as at 31 December 2015, out of that, the balance that had exceeded a period of 01 year was Rs. 22,230. A sum of Rs. 22,230 had further been outstanding as at 30 May 2016

### 2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs. 438,422 and Stamp Fees amounting to Rs. 7,770,750 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2015. Out of that, outstanding balance that had exceeded a period of 01 year was Rs. 1,778,500.

### **3. Operating Review**

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#### **3.1 Performance Evaluation**

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A sum of Rs. 12,401,948 had been earned during the year under review as Self Invention Income, and out of them the amount spent on development activities was Rs. 1,281,560. This was 10.33 percent from Self Invention Income. Therefore, actions had not been taken to perform development activities by using the allocations to achieve objectives of the Pradeshiya Sabha Act.

#### **3.2 Management Inefficiencies**

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Twelve vacant Posts and 15 excess Posts were in Sabha as at 31 December 2015.

#### **3.3 Operational Inefficiencies**

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Five hundred thirty seven building applications had been received during last 03 years and out of them, the approved amount was 380. Only 09 Conformity certificates had been issued during those 03 years, and the proper measures had not been implemented to issue conformity certificates for approved buildings.

#### **3.4 Transactions of Contentious Nature**

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A sum of Rs. 250,000 had been paid to Land Reclamation Commission to acquire 09 acres 01 ruda 01.644 from the land named Enasalwitta situated in the area of authority of the Sabha for the use of Waste Management purpose without searching the clearance of the land. Subsequently, as a result of not releasing the land saying that this land was belonging to Elkaduwa Plantations Limited, the payment of Rs 250,000 had been a loss to Sabha Fund and also that land could have not been acquired.

#### **3.5 Apparent Malpractices**

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A sum of Rs. 31,000 had been taken improperly from Sabha funds by the former President, by mentioning that his personal money would have had to be spent to purchase 02 tent covers.

#### **3.6 Identified Losses**

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According to the Board of Survey report of the year 2013, actions had not been taken to recover from the relevant parties or to get disciplinary actions with regard to the shortage of 605 items in 33 Tube Well equipment value of Rs.657,422.

#### **3.7 Delaying Projects**

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Construction of Public Toilet and Community Centre at Welekade for the estimate of Rs. 1,000,000 had been assigned to Samurdhi Force at Mullegama South on 04 July 2014. Time extension had been requested on 13 January 2016 stating that building materials had been destroyed from flood of Piga Oya due to heavy rain. However, though this contract of Rs. 1,000,000 had to be completed in the year 2016, actions had not been taken to complete the balance work of the Community Centre even as at 11 May 2016.

### **3.8 Solid Waste Management**

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Though 02 tons of waste were gathered in the area of authority of the Sabha, only 01 tractor load is dumped to waste dumping area at Dickoya belongs to Thumpane Pradeshiya Sabha without proper waste management, and actions had not been taken to collect all garbage in entire area.

## **4. Good Governance and Accountability**

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### **4.1 Budgetary Control**

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Following matters were observed.

- (a) 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 14 per cent to 89 per cent in 06 items of revenue and variations from 28 per cent to 93 per cent in 07 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.
- (b) Out of the provision of Rs. 1,202,000 provided for 73 expenditure votes had been remained saving without doing any expenditure, and the entire allocation of Rs. 595,000 provided for 18 expenditure votes had been transferred to other expenditure 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 amount of Rs. 1,400,000 as Members provisions.

### **4.2 Annual Procurements Plan**

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

### **4.3 Assets Management**

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#### **Idle / Under-utilized Assets**

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Four vehicles of the Sabha were out of order for more than one year, and 03 further vehicles had been parked idly.

## **5. Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Debtor and Creditor Control
- (e) Solid Waste
- (f) Assets Management