

Pelmadulla Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 19 April 2016 and the financial statements for the preceding year had been presented on 07 May 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 14 June 2016.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Pelmadulla Pradeshiya Sabha as at 31 December 2015 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

The following accounting deficiencies are observed.

- (a) A comparison of the closing balance of the previous year with the opening balance of the year under review revealed a difference of Rs.90,080 in the Creditors' Account and the Accumulated Fund Account.
- (b) The fixed assets valued at Rs.118,149 purchased during the year under review had not been capitalized via the Revenue Contributions to Capital Outlay Account. As such, the assets of the year had been understated by a similar amount.
- (c) Recommendations had been made to auction furniture and machinery valued at Rs.117,820 as per board of survey report for the year 2015. But, those assets had been written off from the Assets Account before being auctioned.

1.3.2 Unreconciled Control Accounts

The following observations are made.

- (a) A difference of Rs.10,667,461 was observed between the balances appearing in the financial statements of the year under review and the subsidiary registers with regard to 05 items of accounts.
- (b) A difference of Rs.42,876 was observed while comparing the balances of the votes ledger with the balances appearing in the financial statements with regard to 04 Expenditure Heads.

1.3.3 Accounts Receivable

The Pradeshiy Sabha had been dissolved on 15 May 2015 and a sum of Rs.300,000 had been paid to the members of the Pradeshiya Sabha as members' allowances for the month of May 2015. But, reimbursements had been made for Rs.150,000 only, that is, 15 days for which the members were entitled to. Accordingly, the loss of Rs.150,000 had been incurred from the funds of the Sabha and the expenditure on salaries had been overstated in the accounts by Rs.150,000. The sum of Rs.150,000 recoverable from the members had not been disclosed in the accounts.

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

The following non-compliances with Laws, Rules, Regulations and Management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions etc.,

Non-compliance

(a) Financial Regulation of the Republic of Sri Lanka No.371

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| (i) Financial Regulations No. 371 (2) (a) and (d) | 1,175,518 | Instances were observed where the advances of Rs. 1,175,518 obtained in 202, 2013 and 2014 had not been settled. The Chief Ministry had not reimbursed the advances of Rs.24,430 paid as subsistence allowance for 03 days to the street drama group in May 2015, even by 21 October 2015. |
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| <p>(ii) Financial Regulations 570 and 571</p> | <p>Lapsed deposits should be settled. However, action had not been taken in accordance with the regulations with regard to deposits valued at Rs.874,811.</p> |
| <p>(b) Circular of the Secretary to the Ministry of Power 2015 and Energy No,PE/01/01 of 17 August 2010</p> | <p>High tension sodium vapour lamps of maximum 110 watts could be fixed on a electric post within the business areas of 'A' grade roads of rural areas. But, without considering this, 25 sets of 250 croka street lamps valued at Rs.134,140 had been purchased and 20 of them had been fixed. Further, the agreement entered into with Ceylon Electricity Board for fixing of street lamps had not been furnished to audit.</p> |
| <p>(c) Circular No,01/2010 of 16 November 2010 of the Sabaragamuwa Provincial Council and the Chief Ministry.</p> | <p>It had been informed that employees should not be recruited on casual, substitute or contract basis without the approval of the Secretary to the Chief Ministry. In spite of this, 23 employees had been recruited on contract basis without the approval of the Secretary to the Chief Ministry.</p> |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2015 amounted Rs.5,395,358 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,742,653.

2.2 Analytical Financial Review

The financial operating surplus of the year under review had decreased by Rs.1,347,295 as compared with the previous year and it was observed that it was 20 per cent less than previous year. The decrease in recurrent revenue and the increase in recurrent expenditure of the year under review, as compared with the previous year, had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information furnished for the year under review with regard to the estimated revenue, actual revenue and the arrears of revenue appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and taxes	7,545	7,491	10,020
Lease rent	1,929	1,827	1,642
Licence fees	388	519	21
Other revenue	56,230	39,524	14,357

2.3.2 Performance in Collection of Revenue

A comparison of the estimated revenue with the revenue collected for the year under review showed that the revenue collected with regard to rates and taxes, lease rent, service charges, warrant charges and fines, other revenue and the contributions made by the Government had decreased by 22 per cent, 04 per cent, 16 per cent, 34 per cent, 50 per cent and 38 percent respectively as compared with the estimated amount.

2.3.3 Rates and Taxes

Arrears of rates and taxes over Rs.3,000 as at 31 December 2015 amounted to Rs.1,867,646, within the authoritative area of the Sabha. Of these, a sum of Rs.706,508 was due from rate payers whose arrears were over Rs.7,000.

2.3.4 Lease Rent

Three stalls bearing Nos.11, 12 and 13 were the stalls that remained out of all the stalls of the Sabha, many of which had been demolished for road widening, town development etc., These had been given on lease to lessees who had obtained them during the previous year. But, agreements had not been entered into. Meanwhile, the revenue due as arrears from rent on behalf of stalls Nos. 01, 04, 12A and 13 amounted to Rs.161,709.

2.3.5 Other Revenue

The following observations are made.

- (a) A verification of acreage tax had not been carried out and the registers updated within the authoritative area of the Sabha. A sum of Rs.66,373 was recoverable from 71 units of acreage tax with an arrears of over Rs.300.
- (b) A survey relating to businesses had not been carried out with regard to business tax, work tax and trade licence fees. The taxes and fees recovered without identifying the business establishments, works and trade stalls alone had been entered in the register.
- (c) A sum of Rs.143,350 only had been recovered from 19 advertisement boards exhibited with licences for the year under review within the authoritative area of the Sabha. Four banners of very extensive sizes had been exhibited without obtaining proper approval.
- (d) According to the survey carried out with regard to the Pelmadulla week end fair on 17 October 2015 it was observed that permanent traders and 186 other traders on both sides of the premises had been engaged in trade activities and the revenue collected on the day concerned amounted to Rs.18,060. However, according to the reports maintained by the revenue collectors the revenue collected as week end fair revenue from January to 10 October 2015 had ranged between Rs.11,000 to Rs.16,000.

2.3.6 Court Fines and stamp Fees

Stamp fees had not been received since August 2014. Necessary action had not been taken to obtain the revenue from court fines from the Pelmadulla Courts and the Ratnapura Courts after October 2014 and January 2014 respectively.

3. Operating Review

3.1 Management Inefficiencies

The following observations are made.

- (a) A sum of Rs.83,375 had been paid from the funds of the Sabha as arrears of water charges of the beef stall of the public market for the period December 2011 to December 2013 although there was possibility to recover the money from the lessee or from the security deposit. Although there was possibility to fix a separate water meter at this place, the Sabha had neglected it.
- (b) Although it had been informed that the monthly contributions should be remitted to the Department of Pensions in order to pay pensions to the retired officers of the local

authorities, the Sabha had neglected to pay this money since August 2010 and as a result an arrears of Rs.3,764,210 had to be paid by 31 May 2015.

- (c) The Sabha had failed to settle the shortcomings in the bank reconciliations with regard to cash and cheques amounting to Rs.8,915 and Rs.517,447 respectively which had not been banked by the Marapana sub office and the head office and the unrealized cheques of Rs.109,562 since 2003 and the sum of Rs.259,296 shown unidentifiable In the bank reconciliations.
- (d) According to the register of employees' loans, a sum of Rs.160,150 was due from 22 officers who had been transferred and who had retired.

3.2 Operating Inefficiencies

The following observations are made.

- (a) The Nation Building Tax of Rs.40,681 recovered in 2015 should have been remitted to the Commissioner General of Inland Revenue every month. However, the tax concerned had been retained in the Deposit Account.
- (b) The employee's security deposits of Rs.12,098 of 04 members of the staff of the Sabha who had retired and who had been transferred had been continuously retained without being released to them.
- (c) A balance of Rs.693,447 was observed in relation to the previous year as a result of not making payments to creditors as per register of creditors or due to non maintenance of registers.

3.3 Contract Administration

The following observations are made.

- (a) Proposals had been made to fulfil 16 jobs via the previous year's budget and the proposals had been accepted accordingly. However, contravening this, 12 other jobs had been carried out.
- (b) A sum of Rs.15,063,154 was payable to the contractors for the 27 jobs completed through the Village to Village Door to Door programme of the Ministry of Economic Development. The construction of a small bridge in the close proximity of the Narangoda Nidangala Bodhi Vihara commenced under the said projects had been constructed in a manner so that it could not be used and it was observed that the expenditure incurred on it had become fruitless.

3.4 Vehicle Control

The following observations are made.

- (a) The balancing of fuel of two cabs bearing No.SGPD – 7614 and SGLF – 4824 had been made on the drivers' self-assessment for a long time stating that the milometers were inoperative. Action had not been taken to repair them. Fuel had been purchased without clearly confirming the capacity of fuel of the cabs. Accordingly, the balancing of fuel, as per running charts, could not be satisfied in audit. During the year under review, 5677 litres of fuel valued at Rs,549,120 had been purchased.
- (b) The tractor bearing No.49-8876 had been handed over to the Machinery Authority on 08 October 2014 for repairs. But, the repairs concerned had not been made even by 22 October 2015.
- (c) The tractor bearing registered No.RD 5932 had fallen into a garbage pit and had been damaged. The estimate prepared for repairs caused by the accident amounted to Rs.261,825 and the insurance company had agreed to pay a compensation of Rs.197,993 only. It was observed that the Sabha faced a risk of losing Rs.63,832 to its funds.

3.5 Assets Management

Idle and Under Utilized Assets

Action had not been taken by the Sabha even by end of the year under review to acquire ownership of the cabs bearing No. 53-5635 and No.WP PF-7484 and the tipper vested with the Sabha by the Ministry of Local Government and Provincial Councils. The cab bearing No.53 – 5635 parked in the premises of the Sabha had corroded while the tipper remained idle.

4. Good Governance and Accountability

4.1 Budgetary Control

The following observations are made.

- (a) The entire provision of Rs.1,555,500 made for 43 objects had not been utilized for any purpose.
- (b) A provision of Rs.2,760,000 had been made under the Expenditure Heads 504 and 609 during the year under review. But a sum of Rs.11,350 only had been spent. Further, a provision of Rs. 300,000 had been made under 'Expenditure Head 609 – 1 to purchase

library books. But, 5 books valued at Rs.1,250 only had been purchased during the year under review. Accordingly, 0.4 per cent only of the budgeted amount had been spent showing extensive weaknesses of the management.

- (c) Provision amounting to Rs.7,994,500 had been transferred to 25 Expenditure Heads from 21 Expenditure Heads on 4 instances during the year under review.

4.1 Annual Procurement Plan

A procurement plan had not been prepared and action taken accordingly during the year under review.

4.2 Internal Audit

An internal audit unit had not been established and implemented by affording necessary facilities to it.

4.4 Audit and Management Committees

Action had not been taken to set up and implement Audit and Management Committees.

5. Systems and Controls

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

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contract Administration