

Padiyatalawa Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 19 October 2018.

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 of the Padiyatalawa Pradeshiya Sabha give a true and fair view of the financial position as at 31 December 2017 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

The following matters were observed.

- (a) The value of stocks shown in the financial statements as at end of the year under review amounted to Rs.114,240 although stocks were not physically in existence. As a result, the current assets had been overstated by a similar amount.
- (b) The value of land and buildings amounted to Rs.148,235,567 as per register maintained by the Sabha. However, this had been shown as Rs.590,505,934 in the financial statements resulting in an overstatement of fixed assets by Rs. 442,270,367.
- (c) Although the arrears of stall rent as at 31 December of the year under review amounted to Rs.176,733, it had been shown as Rs.199,233 in the financial statements resulting in an overstatement of current assets by Rs.22,500.
- (d) Work debtors as at 31 December of the year under review amounted to Rs.415,556 which had been shown as Rs.724,873 in the financial statements resulting in an overstatement of current assets by Rs.309,322.

1.3.2 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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(a) Manual of Rules of the Pradeshiya Sabha	

(i) Rules 59 – 66	Action had not been taken to identify institutions from which industrial tax could be recovered by carrying out a survey at commencement of each year so as to recover dues accordingly.
(ii) Rule 180	Security deposits had not been obtained from officers who handle cash, stores and revenue.
(b) 8.9.1.1 of Chapter XXIV of the Establishments Code	Loans recommended for an officer should not exceed 40 percent of his total recovery of monthly basic salary. However, this had not been taken into consideration while paying distress loans amounting to Rs.1,214,060 to 08 employees.
(c) Public Administration Circular No.30/2016 of 29 December 2016	Fuel testing had not been performed in respect of 06 vehicles which were in running condition.

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 2017 amounted to Rs.2,701,241 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.783,834.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000	Estimated Revenue Rs.'000	Revenue Billed Rs.'000	Revenue Collected Rs.'000	Total arrears as at 31 December Rs.'000
Rates and Taxes	103	134	134	-	161	65	65	-
Rent	10,213	4,071	3,973	176	3,929	2,333	2,393	79
Licence Fees	634	325	325	-	392	378	378	-
Other Revenue	4,888	2,616	2,710	305	4,047	2,311	2,284	399

2.2.2 Performance in collection of Revenue

The revenue to be collected by the Sabha as at 31 December 2017 amounted to Rs.7,626,659 of which Rs. 7,144,056 had been recovered during the year. Accordingly, it was observed that the percentage of recovery of revenue was 93.67 per cent.

2.2.3 Rent

The following matters were observed.

- (a) Action had not been taken to recover the arrears of revenue of Rs.176,733 on behalf of stall rent as at 31 December 2017.
- (b) The Sabha had not taken action to recover the arrears of beef stall rent of Rs.24,115 existing from years prior to 2012.

2.2.4 Other Revenue

According to the Gazette Notification No.1597/8 of 17 April 2009, at least Rs.20,000 should be recovered for granting approval for a telecommunication tower. However, a sum of Rs.200,000 had not been recovered for 10 telecommunication towers within the area of the Pradeshiya Sabha.

2.2.5 Court Fines and Stamp Fees

The court fines and the stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2017 amounted to Rs.52,833 and Rs.228,922 respectively.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) The Sabha has installed a finger print machine at the institution in September 2017 by spending Rs.48,000. However, times of arrival and departure had not been marked in it even by 10 July 2018.
- (b) Action had not been taken to obtain annual revenue licences for 13 out of 21 vehicles of the Sabha.

- (c) A cab of the Sabha had been entrusted for repairs to the Ambatenna Machinery Engineer's Office on 19 July 2014. Action had not been taken to get it repaired.
- (d) Action had not been taken to settle the sum of Rs.93,480 payable to the Ceylon Electricity Board existing since 2012.
- (e) Action had not been taken to recover the sum of Rs.107,812 overpaid during the purchase of cement and paint for the construction project completed in 2015.
- (f) The sum of Rs.268,232 payable to the Director General of Pensions since 2010 had not been paid even by 10 July 2018.

3.2 Human Resources Management

The following matters were observed.

- (a) There were 03 vacancies in the cadre as at 31 December 2017.
- (b) Employees' loans of Rs.13,960 recoverable from 02 officers who had gone on change of station transfers had not been recovered since 2013.
- (c) Action had not been taken to recover the distress loan of Rs.140,000 granted to an officer of the Sabha on 13 February 2017 together with the interest thereon even by 10 July 2018.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) The milometers of 02 tractors of the Sabha in running condition were inoperative. However, fuel had been supplied for their performance without repairs being made.
- (b) Action had not been taken to offer on lease and obtain revenue from 05 stalls of the Sabha at the trade complex belonging to the Sabha.

3.4 Assets Management

3.4.1 Assets not Registered

The values of a bowser and a trailer given by the Department of Local Government had not been assessed and entered in the financial statements.

3.4.2 Unattended Maintenance and Repairs

Nine out of 21 vehicles of the Sabha needed repairs. But, these remained in the premises of the Sabha without being repaired and used.

3.4.3 Assets not Acquired

The following matters were observed.

- (a) Necessary action had not been taken to acquire ownership of 10 vehicles used by the Sabha.
- (b) Action had not been taken to acquire ownership of 05 land with a total extent of 04 acres 02 roods and 23 perches used by the Sabha.

3.4.4 Idle and Under Utilized Assets

The old Sabha building and its land of 02 acres, 01 rood and 26.7 perches remained idle without being used.

3.5 Procurement

3.5.1 Procurement Plan

The Sabha had not prepared an annual procurement plan for 2017 in terms of the National Budget circular No.128 issued on 24 March 2016.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 01 to 63 per cent existed between the budgeted and actual expenditure of the year under review. As such, the budget had not been used as an effective instrument of management control.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System

Deficiency

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| (a) Accounting | Books of accounts and registers had not been updated. |
| (b) Assets and properties | (i) Not entered in registers
(ii) Safety not ensured. |
| (c) Stock | (i) Not entered in registers
(ii) Irregular control over stock. |
| (d) Debtors and Creditors | (i) Non preparation of schedules
(ii) Non preparation of age analysis. |
| (e) Personnel Management | Vacancies not filled. |
| (f) Projects and Contracts | Lack of adequate supervision. |