

Panvila Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2017 had been submitted to Audit on 28 March 2018 and the report of the Auditor General on the said Financial Statements were sent to the Chairman on 11 July 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Panvila Pradeshiya Sabha as at 31 December 2017, and of its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on the financial statements

1.3.1 Accounting deficiencies

The following accounting deficiencies were observed in audit.

- (a) The land in which the council office is located and the Udugoda Cemetery had not been assessed and taken into accounts.
- (b) The of value of the iron fence of Rs. 237,606, removed from the expenditure of Rs. 1,190,406 which was incurred to construct the Hulugaha Observation Studio in the year 2012, had not been removed from the financial statements.
- (c) The solar panel which had been donated in the year under review by the Ministry of Power and Energy at the value of Rs. 680,000 had not been taken into accounts.
- (d) The value of furniture and equipment amounting to Rs. 129,500 which had been received as donations in the year under review had not been capitalized.
- (e) A sum of Rs. 22,000 which had been received as Three-wheeler parking income for the year 2015 had been held in the general deposit accounts.
- (f) A sum of Rs. 50,000 had been shown in the accounts as audit fees for the year under review without considering the audit fee of Rs. 119,370 of the previous year.
- (g) A sum of Rs. 200,000 had been taken into accounts as the stamp duty income of the year under review without considering the received stamp duty income of Rs. 1,200,000 for previous years, and also the receivable revenue had not been accurately taken into accounts.

1.3.2 Contingent liabilities

Although cases against 09 stakeholders had been filed in the courts by the Sabha regarding non-payment of industry and business taxes, it had not been disclosed in the accounts.

1.3.3 Receivable and Payable Accounts

(a) Receivable Accounts

The total value of 2 accounting items which should be received as at 31 December of the year under review was Rs. 16,860,878. According to the age analysis in this regard, the total of account balances for a period of 1 to 5 years was Rs. 255,316 and the total of account balances which had exceeded a period of 5 years was Rs. 2,022,507

(b) Payable Accounts

The collective value of two payable account balances as at 31 December of the year under review was Rs. 19,399,534. According to the age analysis in this regard, the total of unsettled balances for a period of 1 to 5 years was Rs. 1,283,384 and the total of account balances which had exceeded a period of 5 years had been Rs. 2,610,914.

1.3.4 Lack of written evidence for audit

Two transactions valued at of Rs. 2,029,426 could not be satisfactorily verified in the audit due to failure in providing the necessary information.

1.3.5 Non-Compliances

Non-compliances with Laws, Rules Regulations and Management Decisions

Instances of non-compliance with Laws, Rules Regulations and Management Decisions are mentioned below.

Reference to Laws, Rules Regulations and Management Decisions	Value	Non-Compliance
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	Rs.	
(a) Pradeshiya Sabha Act No. 15 of 1987		
(i) Sub-sections 126 (vii) f and (xxx)	234,221	Actions had not been taken to recover fees from all of the notice boards which are displayed in the Sabha jurisdiction by imposing bylaws to recover fees.

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| (ii) Section 149 | - | A tax of one per cent had not been recovered from a registered hotel at the tourist board. |
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| (b) Extraordinary Gazette No. 520/7 of 23 August 1988 | | |
| (i) Sub section 32 | - | Permission had been granted to operate a private slaughterhouse without considering the relevant advises. |
| (ii) Sub Section 20 | - | Permission had been granted to operate a meat shop without considering the relevant advises |
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 | | |
| (c) Financial Regulations 104 of the Democratic Socialist Republic of Sri Lanka | 72,000 | Although a Backhoe ,machine had been met with an accident and a loss had occurred, inspections had not been carried out in this regard. |
| (d) 2:8:1 of the Procurement Guideline 2008 | - | Actions had not been taken to obtain assistance of the specialists for the procurement board of the project of constructing the Hulugaha Observation Studio. |

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue that exceeded the recurrent expenditure was Rs. 3,648,584 for the year ended on 31 December 2017 and the correspondent revenue that exceeded the recurrent expenditure in the previous year was Rs. 4,219,513.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Details of Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue for the year under review and the previous year are given below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Outstanding as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,438,000	1,509,306	1,316,746	379,104	937,000	975,513	741,028	411,716
Rentals	1,077,571	1,143,548	1,106,579	42,750	995,140	1,031,577	987,483	59,697
License fees	2,226,000	2,970,946	2,941,946	37,000	1,296,000	2,500,879	2,488,879	20,000
Other revenue	1,719,800	2,273,795	1,397,710	1,055,090	2,048,800	1,896,457	853,359	1,431,974
	<u>6,461,371</u>	<u>7,897,595</u>	<u>6,762,981</u>	<u>1,513,944</u>	<u>5,276,940</u>	<u>6,404,426</u>	<u>5,070,749</u>	<u>1,923,387</u>

2.2.2 Performance of collection of revenue

The following observations are made.

- The assessment had not been implemented in the stalls of the Panwila shopping complex which belongs to the Sabha although the stalls had been assessed by the Department of Valuation.
- Actions had not been taken to recover garbage taxes from private institutions, hotels and shops in the jurisdiction of the Sabha.
- Actions had not been taken to increase revenue by the vehicles which were provided for the Machinery unit in the years 2015 and 2016.

2.2.3 Rates and Taxes

- The outstanding rate taxes as at 31 December of the year under review was Rs.327,616 including balances of Rs.139,913 that had exceeded a time period of 1 to 5 years and balances of Rs.19,323 that had exceeded a time period of 5 years.

- Acreage Tax

Although the outstanding acreage tax at the beginning of the year under review had been Rs.51,489 and billing in the year under review had been Rs. 38,289, only a sum of Rs. 19,634 and Rs. 29,658 respectively had been recovered up to 31 December of the year under review. A sum of Rs. 41,619 out of the outstanding balance at the beginning of the year had exceeded a period of 5 years.

2.2.4 Other Revenues

(a) Water charges

The outstanding water charges as at 31 December had been Rs. 226,570 and a sum of Rs. 67,245 out of that had belonged to a period of 1 to 5 years.

(b) Three-wheeler parking charges

Although the outstanding Three-wheeler parking at the beginning of the year under review had been Rs. 288,050 and billing in the year under review had been Rs. 167,000, only a sum of Rs. 71,025 and Rs. 114,300 respectively had been recovered in the year under review.

2.2.5 Court fines and stamp fees

Court fines and stamp fees of Rs. 91,076 had remained to be received from the Chief Secretary of the Provincial Council and other authorities by 31 December of the year under review and stamp duty income had not been taken into accounts even under estimate basis.

3. Operational Review

3.1 Performance

According to the section 3 of Pradeshiya Sabha Act, the following matters were revealed relating to formulation and regulating public health, public utility service and roads and wellbeing of the people, convenience and welfare which should be full filled by the sabha.

(a) Bylaws

Although bylaws should be imposed to implement 30 main matters according to section 126 of the Pradeshiya Sabha Act, no any bylaws had been imposed even up to 31 December 2017.

(b) Lack of provisions

Provisions had not been made by the budget for the activities that should be carried out by the sabha according to the prepared annual action plan.

(c) Non - achieving of the expected output level

Although the total estimate of the contract on construction of the Hulugaha Observation Studio was Rs. 8,207,466, thirteen work items valued at Rs. 2,907,663 had not been completed, and the supervision on this project had been in a poor level.

(d) Non - achieving of the expected outcome

Although the expected output level had been achieved regarding 2 activities valued at Rs. 6,904,748 which is shown in the action plan, the instances of not achieving the expected outcome is shown below.

Activity	Expenditure up to 31 December 2017	Observations
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	Rs.	
(i) The centre which had been constructed to provide amenities for the tourists who visit Knuckles.	4,404,748	Although it had been one year since the completion of this project, actions had not been taken to earn revenue by using it.
(ii) Weekly fare building	1,500,000	Although it had been 27 months since the completion of this building, it had remained idle.

	6,904,748	
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(e) Abandoned Activities

Although an activity had been initiated in the year under review and a sum of Rs. 1,834,580 had been expended on the said activity, it had been abandoned even up to 31 December 2017 without achieving expected outcome. Details are shown below.

Activity	Expenditure up to 31 December 2017	Observations
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	Rs.	
Upgrading and renovation of the Council office building and the library building.	1,834,580	Although the tender had been awarded for Rs. 3,288,855, the project had been finished for a sum of Rs. 1,834,580 due to lack of time.

(f) Activities not being implemented

Although provisions of Rs. 1,164,895 had been allocated to carry out 5 activities in the year under review, the relevant projects had not been implemented. Details are shown below.

Activity	Estimated amount	Observations
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	Rs.	
(i) Development of the road from the tea factory at the upper part of the Maussa Estate up to the ground.	978,895	Registered society not stepping forward.
(ii) Issuing a driving license to a beneficiary residing at 30/1, Kalagolla, Panvila, Udugoda	15,000	Cancellation of the project
(iii) Giving roofing sheets for a low-income earner beneficiary residing at 18th Post, Madulkele.	6,000	Beneficiary has not provided the required details
(iv) Developing the Huluganga Alakolawatta main road.	150,000	Cancellation of the project
(v) Giving a cooking set to Dehimiditta Udumbaragiri funeral aid society	15,000	Two years not being passed after the registration of the society.

	1,164,895	
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(g) Solid waste management		

Garbage of weight of nearly 01 tons are collected daily from the Sabha jurisdiction and had been handing them over to Kundasale Pradeshiya Sabha once in a week and Bio degradable and other garbage had been disposed to Hathale land and Hulugaha St. Johns heel land without following a proper procedure. These lands in which the garbage is disposed are located in the sides of the roads with steep slopes and a dangerous situation with tendency to natural disasters like landslides had imposed due to disposal of garbage. Disposal of garbage near Knuckles forest reserve had been a major reason on environmental pollution.		
(h) Sustainable Development		

Actions had not been taken by the Sabha to identify and achieve sustainable development goals and indicators had not been identified to measure the progress.		

3.2 Management Inefficiencies.

The following observations are made

- (a) The council had lost 20 per cent of its revenue relating to the clock tower given at an annual fee of Rs. 20,000 in the year 2017 even though the tower had been given for advertising in the year 2015 for an annual fee of Rs. 25,000.
- (b) Water meters had not been installed in 370 water supply connections in 07 water projects which are maintained by the Pradeshiya Sabha, and a fixed monthly fee of Rs. 200 had been charged for domestic supplies.
- (c) Eight bear blocks of land in Hulugaha area had been leased to 08 persons since 1982 and lease had been recovered during a long terms as Rs. 30 per square feet without neither amending the lease nor renewing the lease agreements by the Sabha. The boundaries of the plots had not specified and the Sabha had not taken actions to clear the boundaries.

3.3 Human Resource Management

(a) Staff Vacancies

There were 7 vacancies relating to 04 positions between approved and actual cadre. A Grade I officer of the Management Assistant Service had been covering the work of the Secretary.

(b) Staff Loans

Staff loan balances of Rs. 3,368 and Rs. 12,600 relating to two transferred and terminated officers respectively had not been recovered.

3.4 Transactions in contentious nature

The transparency and acceptability were not satisfactory in audit due to the two officers who carried out recommending and re-examining of the estimate of value of Rs. 10,800,000 issuing the committee recommendation of awarding of contract regarding Hulugaha Development Project.

3.5 Assets Management

3.5.1 Inactive / Underutilized Assets

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- (a) A dump truck and a Backhoe valued at Rs. 24,880,000 had remained underutilized.
 - (b) Three vehicles that belong to the sabha had been parked in the office premises for a period from 2 ½ years to 12 years without using for any purpose.

3.6 Uneconomic transactions

A sum of Rs. 410,373 had remained payable due to assigning all the functions of preparation of the estimate for the project and supervision of the construction work to the Department of Provincial

Engineering Services without obtaining the services of the engineer attached to the Department of Local Government regarding the project of completion of work in Hulugaha Observation Studio.

3.7 Improper transactions

The following observations are made.

(a) A garbage labourer had been employed for the months of July, August, September and October 2017 without approval and a sum of Rs. 58,410 had been paid.

(b) A sum of Rs. 13,698 had been paid to the community development officer while no written evidence had existed claiming that the relevant officer participated in the Board of Survey.

3.8 Procurement

3.8.1 Procurement Plan

Although goods and services valued at Rs. 12,042,280 had been purchased by the Sabha during the year under review, a procurement plan had not been prepared.

3.8.2 Contract Administration

Finishing of remaining work and landscaping of the Hulugaha observation studio

Remaining work and landscaping of Hulugaha Observation Studio had been assigned to a private contractor at Rs. 7,569,220 under the program of Strengthening of Pradeshiya Sabhas in the year 2017 and a sum of Rs. 5,197,560 had been paid on a value of completed work amounting to Rs. 6,234,085. The following matters were observed in this regard.

(i) While it was capable to include the hand railing for the stair case under work item 14 and a rate for landscaping under work item 41 of the estimate, it had been estimated as Rs. 1,700,000 and Rs. 1,000,000 respectively as an item. A sum of Rs.61,207 for grass turfs and a sum of Rs. 22,525 for 17 labourers had been paid in excess under SSR 4 (4), and a sum of Rs. 119,250 had been paid for grass turfs while they had not been watered and maintained. A payment of Rs. 119,000 had been made under SSR 4 (6) while the purchasing of 80 street bush plants and relevant tasks had not been carried out. A sum of Rs. 130,960 had been added as 20 per cent of the total amount as non BSR items under SSR 4 (7) and it was an excessive payment.

(ii) According to the Estimated Item No. 33, the filter area had not been adjusted according to the specification of the main road wall and the weep holes had not been fitted properly according to the standards, and a sum of Rs. 34,260 had been paid in excess for 60 weep holes.

(iii) Although a sum of Rs. 1,481,743 had been paid for construction and removal of stone walls as additional work, approval had not been obtained and an estimate for additional work had not been prepared and a plan to construct stone walls had not been presented. The concrete mix for the base of the contour walls had not been laid in this sloping location and bills had been prepared for a height of 4.27m for the C wall. An excess of Rs.

274,961 had been paid for 18.62 cubic meters due to the height of the said wall being 2.567m in the physical inspection. Although Weep holes had been used for the walls, stones had not been stacked and no filter media had been used in this regard. A sum of Rs. 160,000 had been paid for removal of a wall of the project under SSR 02 as additional work. Although the stones of the said removed wall had been used for the new stone wall, it had not been reduced in billing.

- (iv) Actions had not been taken to recover liquidated damages according to the agreement, although the constructions had been continuing even up to 24 March 2018 even it should be assigned to the Sabha on 27 December 2017 after completing constructions.

4. Accountability and Good governance

4.1 Budgetary Control

During the year under review, due to a significant variation between budgeted and actual income and expenditure being observed even after the transfer of provisions, it was observed that the budget has not been made use of as an effective management control and the following factors in this regard were observed.

- (a) Any expenditure had not been incurred from provisions of Rs. 3,062,000 which had been allocated for 38 expenditure items.
- (b) No income had been generated from 17 revenue items at the estimated value of Rs.420,000.

5. Systems and Controls

The deficiencies observed in the audit had been brought to the attention of the council from time to time and special attention should be given to the following areas of governance.

System

Deficiency

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| (a) Fixed Assets | (i) Not taking actions to identify all assets of the council by surveying all lands and buildings belonging to the Sabha.
(ii) certain fixed assets items not being utilized for any useful purpose. |
| (b) Accounting | (i) All the assets of the Sabha and not being identified and taken them in to accounts.
(ii) Constructions not being capitalized. |
| (c) Vehicle Administration | (i) Actions not being taken to generate revenue from revenue generation vehicles. |
| (d) Revenue | (i) Not implementing the assessments of stalls in |

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| | Administration | | shopping complexes. |
| | | (ii) | Not conducting a survey at the beginning of the year on businesses that should be licensed. |
| (e) | Debtors and creditors | (i) | Actions not being taken to recover debtor balances exceeding one year. |
| | | (ii) | Actions not being taken to settle creditor balances. |
| (f) | Contract Administration | (i) | Poor supervision on constructions |
| | | (ii) | Actions not being taken according to the procurement guideline. |
| | | (iii) | Deficiencies in measurements regarding projects. |
| | | (iv) | Not completing projects in the relevant period of time. |
| | | (v) | Existence of incomplete projects |