

Pujapitiya Pradeshiya Sabha
Kandy District

1. Financial Statements

1.1 Presentation of financial Statements

Financial Statements for the year 2017 had been submitted to the Audit on 27 March 2018 and the Auditor General's Report on those financial statements was issued to the Chairman on 14 June 2018.

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 Pujapitiya Pradeshiya Sabha 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 Accounts Receivable and Accounts Payable

(a) Accounts Receivable

The total balance of Rs.38,291,274 in 5 receivable accounts as at 31 December 2017 had included accounts balances aggregating Rs.7,510,560 for over 01 year period and the balances over 05 years was Rs.71,505. A balance of Rs.37,915,431 had further been receivable as at 31 December 2018.

(b) Accounts Payable

The total value of 2 creditor balances amounting to Rs.28,481,866 as at 31 December 2017, the total of balances that had exceeded a period of 01 year was Rs. 4,777,123 and the total of balances that had exceeded a period of 05 years were Rs.3,283,123.

1.3.2 Lack of Documentary Evidence for Audit

Four items of accounts totaling Rs. 1,950,622 could not be verified satisfactorily in audit due to non-presenting of relevant information.

1.3.3 Non compliances

Non-compliance with Laws, Rules and Regulations

Cupboards, Almirahs and Tyres had been purchased for Rs.1,445,951 in 13 instances without following the provisions 6.3.1 (a), 6.3.1 (b) and 6.3.6 of the Procurement Guideline of 2006 and regulations No 178 (7), 207 of Pradeshiya Sabha (Financial and Administrative) Rules Code of 1988.

2. Financial Review

2.1 Financial Results

According to the Amended Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.12,787,258 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.11,992,559.

2.2 Revenue Administration

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

Information relating to estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review and the previous year are shown below

Revenue Source	Estimated Revenue	2017			Total Arrears as at 31 December	2016			Total Arrears as at 31 December
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,137,578	3,119,364	3,156,978	2,197,088	3,461,000	3,135,199	3,836,729	2,234,704	
(ii) Rent	4,971,300	1,097,650	866,155	316,645	3,811,600	924,600	1,049,995	84,165	
(iii) License fee	2,245,100	1,573,250	1,573,250	--	1,511,000	1,623,000	1,623,000	--	
(iv) Other Revenue	14,475,000	17,460,758	25,387,539	19,645,448	11,401,000	19,026,872	21,663,144	9,837,078	
Total	24,828,978	23,251,022	30,983,922	22,159,181	20,184,600	24,709,671	28,172,868	12,155,947	

2.2.2 Performance in Revenue Collection

The increase of arrears revenue was 82 per cent due to total arrears revenue from all income sources of Rs.12,155,947 remained as at 31 December 2016 had been Rs.22,159,181 as at the end of the year under review.

2.2.3 Rates and Taxes

- (a) While there was a balance of rates in arrears amounting Rs. 2,220,610 as at 01 January 2017, billing for the year was Rs. 3,117,181. The recoveries as at 31 December 2016 were Rs. 1,234,049 and Rs. 1,921,139 respectively. This was 55 per cent and 62 per cent. A sum of Rs. 2,182,603 was remained as arrears balance as at 31 December 2017, and recovery of income was in a poor level. A sum of Rs. 1,854,549 was further remained as at 31 March 2018.
- (b) A arrears rates due from the department of Agrarian services and from the National Water Supply and Drainage Board throughout some years amounted to Rs. 92,761 had been existed as at 31 December 2017.
- (c) A arrears Acreage Tax amount of Rs.14,485 had been existed as at 31 December 2017 and out of them a sum of Rs. 12,579 had been arrears from 01 to 5 years period. A sum of Rs. 12,891 had further been outstanding as at 31 March 2018.

2.2.4 Rent

Shop rent of Rs.272,000 had to be recovered from the Shop No. 03 and 04 of Ambatanna Shopping Complex as at 31 December 2017 and these balances had been due for the period of 01 and 09 years. A sum of Rs.136,000 had further been outstanding as at 30 April 2018.

2.2.5 Court Fines and Stamp Fees

Court Fines amounting to Rs. 810,011 and Stamp Fees amounting to Rs.18,254,537 were receivable from the Chief Secretary to the Provincial Council and from other authorities as at 31 December 2017.

3. Operating Review

3.1 Performance

- (a) Twenty nine Development proposals valued to Rs. 7,581,000 had been presented for approval of the Commissioner General on 20 April 2017. It had been taken a period of 8 months for the proposal approval process since 25 proposals and non-approved another proposal has been approved on 22 August 2017. Five approved development proposals could not be implemented by 31 December 2017. Further physical progress of 06 Development Proposals which should be completed in the year under review was ranging from 20 per cent to 40 per cent.
- (b) Even though the Pradeshiya Sabha Fund should be used to accomplish the activities included in the section 03 of the Pradeshiya Sabha Act No. 15 of 1987, a sum of Rs. 5,150,000 had been invested in Fixed Deposits in 02 instances in preceding years.

- (c) As per the section 78 (1) of Pradeshiya Sabha Act No. 15 of 1987, a sum of Rs.270,000 made available for the 04 expenditure items under the Public Health Programs of the year under review had been fully saved without performing the relevant activities. As well as, the progress of provisions made available for 05 expenditure items amounted to Rs. 355,000 was lower ranging from 02 per cent to 75 per cent.
- (d) Even though the decaying waste collected in the area of the authority of the Sabha, a 32 to 35 tons per month have been dumped to the compost yard of Kundasale Pradeshiya Sabha paying Rs.500 for 2.5 Tractor Loads, the Pradeshiya Sabha had not paid their attention to manufacture compost or to the formal waste management system.
- (e) Since the Sabha had not aware about the Sustainable Development Goals, actions had not been taken to make budgetary provisions or to prepare plans for that.

3.2 Human Resources Management

- (a) Twenty one vacant posts were existed between approved cadre and actual cadre as at 30 November 2017.
- (b) Six persons who bear the posts of K.K.S, Laborer- Field, Laborer- water, Prehistoric Assistants had been assigned in the responsible duties relating to revenue collection, revenue files, Library Assistant and project of 'E-Nana Piyasa' ect.
- (c) The permanent Watcher of the Pradeshiya Sabha had not been assigned in the night shifts and a Health Laborer was being assigned in night shifts.

3.3 Operational Inefficiencies

- (a) Even though 588 building applications were received during the period of 2015 to 2017, 469 applications have been approved out of that, only 16 certificates of compliance had been issued. As well as, rates had been charged from 9 development plans out of 16 development plans on which the certificates of compliance issued.
- (b) Even though a sum of Rs. 250,000 have been paid to the Land Reform Commission in 2013 to acquire a Land plot belonging to a Private Plantation Company for waste management activities, the actions had not been taken to take over that land to the Sabha or to recover the money back.
- (c) Though the value of the shortage occurred in the year 2015 in tube wells accessories with the custody of the Technical Officer in the Pradeshiya Sabha was Rs.657,422, actions had not been taken to recover even as at 31 December 2017.

3.4 Assets Management

3.4.1 Idle / Under-utilized Assets

- (a) Various types of 05 vehicles which are under running and not running condition valued at Rs. 13,650,662 and a Van which value cannot be identified had been kept in idle / under-utilizing mode for over a period of one year.
- (b) Out of the 200 preschool bags purchased for Rs 60,000 on 23 February 2012 to sell to the preschool children, 52 preschool bags valued at Rs15,600 were remained at stores without selling.

3.4.2 Vehicle Utilization

A damage of Rs.60,400 had been occurred to a Cab due to an accident on 4 August 2017. The following observations were made in this regard.

- (a) The preliminary investigation and final investigation had not been held as per the 104 (3) of Financial Regulations of Democratic Socialist Republic of Sri Lanka and a Police report or a copy of the complaint had not been obtain as per the Financial Regulation 103 (1) (b).
- (b) Even though the repair had been completed within the 05 days after the accident, the Cab had not been brought back by 11 December 2017.

3.5 Identified Losses

- (a) A shortage of 04 items valued at Rs. 21,571 was observed when comparing physical stocks and stock ledger balances in the stores as at 12 December 2017.
- (b) Ten brass Nipples and 33 plumbing accessories which are caring forward in the stores books since 2008 and the value cannot be ascertained had not been submitted for the physical verification.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a) According to the budget prepared for the year under review, it was observed that the budget had not been made use of as an effective tool of management as there were variations from 32 per cent to 226 per cent in 04 items of revenue and variations from 23 per cent to 58 per cent in 04 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure.

- (b) Hundred per cent of the provisions made available for the 54 expenditure items amounting to Rs.1,210,000 as at 31 December 2017 had not been utilized.
- (c) Even though the annual budget for the next year should be prepared in accordance with the Engineer Estimate and the projects identified on the basis of the need and the priority, the budgetary provisions for 28 development proposals had been provided by mentioning a gross values.

4.2 Internal Audit

An adequate and independent internal audit could not be performed due to assigning of some other duties to the Internal Audit Officer.

5. Systems and Controls

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

System	Deficiencies
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(a) Revenue Administration	<ul style="list-style-type: none"> i. Non collecting of due revenues. ii. Improper lease agreements. iii. Non-renewal of lease agreements.
(b) Assets Management	<ul style="list-style-type: none"> i. Non utilization of funds properly. ii. Existing of under-utilized assets.
(c) Debtors and Creditors	<ul style="list-style-type: none"> i. Inaccurate accounting. ii. Un settlement of debtors and creditors
(d) Store Administration	<ul style="list-style-type: none"> i. Non disposal of disposable Assets. ii. Existence of shortages in stores.