

Palindanuwara Pradeshiya Sabha

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Kalutara District  
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1. Financial Statements

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1.1 Presentation of Financial Statements  
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While Financial Statements for the year 2017 had been submitted on 29 March 2018, the Auditor General's Report relating to the year under review was sent to the Chairman of the Sabha on 05 October 2018.

1.2 Qualified Opinion  
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In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Palindanuwara 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 Statement  
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1.3.1 Accounting Deficiencies  
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Following accounting deficiencies were observed.

- (a) The value of four boat engines received as donations from Disaster Management Centre during the year 2008 had not been assessed and included in the financial statements.
- (b) Action had not been taken to remove from the financial statements, the value of items auctioned, destroyed and removed after identification through the boards of survey during the years from 2014 to 2017.
- (c) Action had not been taken to include the value of 178 pipes and a tent of size 20 x 20 belong to the Sabha in the financial statements.

1.3.2 Accounts Receivable and Payable  
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According to financial statements of the Palindanuwara Pradeshiya Sabha, a sum of Rs. 5,931,815 had been shown as receivable from Agalawatta Pradeshiya Sabha, while according to financial statements of the Agalawatta Pradeshiya Sabha a sum of Rs. 5,342,424 had been shown as receivable from the Palindanuwara Pradeshiya Sabha and a sum of Rs. 7,782,632 as payable to the Palindanuwara Pradeshiya Sabha. Action had not been taken settle these transactions.

### 1.3.3 Lack of Written Evidence Required for Audit

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Six items of accounts totaling Rs. 7,362,164 could not be satisfactorily verified/vouched in audit due to lack of updated register of fixed assets, inventory register, board of survey reports and registers showing ownership, deeds, transfer orders and relevant schedules.

### 1.3.4 Non-compliance with Laws, Rules, Regulations and Management Decisions

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Instances of non-compliance with laws, rules, regulations and management decisions are shown 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. Section 134(1)		Action had not been taken to recover Rates based on the annual value of an immovable property or a type of immovable property situated in an area declared as developed area by the Pradeshiya Sabha.
ii. Section 143 (1)		A new identification had not been made for Rates by the Sabha, subject to Minister's approval.
(b) 1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 218	297,120,250	All Lands and Buildings belong to the Sabha had not been inspected once in every year
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 1647 (b)		A full survey of vehicles and tools of those belong to the Sabha should had not been carried out.
(d) Public Administration Circular No.2016/30 dated 29 December 2016. Paragraph 3.1		Fuel consumption tests of the Sabha vehicles had not been carried out annually.

## 2. Financial Review

### 2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 had been Rs. .7,627,951. as compared with the corresponding excess of revenue over recurrent expenditure amounted to Rs. .6,692,354 in the preceding year.

### 2.2 Revenue Administration

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

Information relating to Estimated Revenue, Revenue Billed, Revenue Collected and Arrears of Revenue relevant to the year under review and the preceding year as furnished are shown below.

	2017				2016			
Source of Revenue	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December,	Estimated Revenue	Revenue Billed	Revenue Billed	Total Arrears as at 31 December,
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs.	Rs.
(i) Rates and Taxes	2,468,245	2,255,986	2,595,487	263,712	2,515,374	2,288,901	2,608,796	547,615
(ii) Rent	5,457,000	3,180,313	4,345,591	249,638	6,163,700	4,360,899	4,887,531	249,638
(iii) License Fees	250,000	155,203	204,500	-	250,000	193,550	261,550	-
(iv) Other Revenue	11,193,000	7,071,697	4,000,486	13,927,229	12,980,000	8,067,390	6,958,379	9,657,215

#### 2.2.2 Performance in Revenue Collection

While overall arrears of revenue at the beginning of the year under review amounted to Rs.10,454,468, billings relevant to the year had been Rs. .12,663,199. While receipts, write-off and adjustments during the year amounted to Rs. .8,677,088, overall arrears of revenue as at 31 December 2017 amounted to Rs. 14,440,579

#### 2.2.3 Rates and Taxes

##### (a) Rates

- (i) While Rates billings for the year under review were Rs. .1,018,277, out of that, a sum of Rs. 899,608 or 88 percent only had been recovered during the year.

- (ii) While a sum of Rs. 493,536 or 83 percent only had been recovered out of balance of arrears amounting to Rs.410,166 at the beginning of the year under review, total arrears at the end of the year was Rs. .202,040. Accordingly, overall progress in recovery of rates had been 87 percent .
- (iii) An age analysis was not furnished for the rates in arrears as at the end of the year under review.

(b) Acreage Tax  
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- (i) While Acreage Tax billing for the year under review had been Rs. 140,609, out of that a sum of Rs 99,243 or 71 percent only had been recovered.
- (ii) While a sum of Rs. .39,589 or 76 percent only had been recovered out of the balance in arrears amounting to Rs. 52,364, total arrears at the end of the year had been Rs. 54,141. Accordingly, overall progress in recovery of acreage tax had been 72 percent.

2.2.4 Other Revenue  
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(a) Advertisement Boards Revenue  
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A survey had not been carried out by the Sabha during the year 2017, in order to recover charges in the manner published in the gazette notification No. 1940 dated 06 November 2015 of the Democratic Socialist Republic of Sri Lanka, through advertisement boards / publicity advertisements fixed in the area of authority of the Sabha

(b) Vehicle Parking Fees  
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Action had not been taken to register and recover fees from the three wheeler vehicles, parked in the area of authority of the Sabha.

2.2.5 Court Fines and Stamp Fees  
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Court Fines amounting to Rs. .900,000 and Stamp Fees amounting to Rs. 13,000,000 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December 2017.

3. Operating Review  
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3.1 Performance  
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Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below.

(a) By-laws

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Although by laws should be imposed for 16 main subjects under Section 126 of the Pradeshiya Sabha Act, by laws had been imposed only for 12 subjects even as at 31 December 2017.

(b) Sustainable Development Targets.

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The Sabha was not aware of implementation of sustainable development objectives, during the year under review.

3.2 Management Inefficiencies

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- (a) While the Agalawatta Pradeshiya Sabha had been separated as Palindanuwara and Agalawatta with effect from 15 April 2006, as a result assets and liabilities entitle to the Palindanuwara Pradeshiya Sabha had not been separated even as at 31 July 2018.
  - (b) Action had not been taken either to number or to maintain an updated register to make it possible for correct identification of street lamp posts in the area of authority of the Sabha.
  - (c) While a fine of Rs. 84,060 was due to be received according to the agreement due to continuous default in in payment of Sunday Pork Sales Spot for the year2017, action had not been taken to recover that fine.
  - (d) A proper survey had not been carried out during the year, for identification of industries in operation in the area of authority of the Sabha liable to pay industrial tax.
  - (e) Although the Environmental Protection Licenses should be issued according to the procedure for issuing Environmental Protection License referred to in the instruction series with regard to delegation of authority and exercising authority to local authorities through the Central Environmental Authority issued through the Gazette Notification No. 1533/16 dated 25 January 2018 the Sabha had not taken action to issue Environment Protection Licenses for many industries carried on during the year 2017.
  - (f) While the battery of the generator received to the Sabha under local authorities grants had been misplaced on 31 March 2016, a sum of Rs. 19,375 had been recovered from the watcher on duty on the relevant day without holding a formal inquiry.
  - (g) While florescent bulbs and other components required for street lamp posts had been issued to the relevant section from the stores, handing over and taking over of bulbs removed had not been made by following correct procedure. Although there is a guarantee period of one year generally with regard to florescent bulbs purchased by the Sabha, a correct procedure had not been followed for identification of the guarantee period by the Sabha.
  - (h) While the Inventory Register had been maintained without proper supervision, at the end of each year register had not been balanced and carried forward.

### 3.3 Human Resources Management

#### ----- Cadre vacancies and surpluses -----

- (a) Management Assistant Officer in Grade 1 had been appointed to cover the duties of the vacant post of the Secretary.
- (b) According to cadre details furnished as at 31 December 2017, a post of Development Officer, a post of Librarian, a post of Revenue Inspector and a post of Works Overseer of the Sabha had been vacant while there had been surplus post of a Management Assistant.
- (c) Although 20 persons as Field Work Laborers and 14 persons as Sanitary Laborers had been recruited, it was observed that only 11 Field Works Laborers and 06 Sanitary Laborers had been engaged in field work.

### 3.4 Assets Management

#### ----- 3.4.1 Non-Documentation of Assets -----

Any course of action had not been taken with regard to correct identification of roads belong to the Sabha, register and gazette those.

#### 3.4.2 Lack of security of assets -----

- (a) While an unauthorized individual was occupying the land in extent of about 10 perches belongs to the Sabha behind the Sabha Office and Library is located over a number of years, any course of action had not been taken to remove him.
- (b) While 720 G.I. Pipes had been provided through Divineguma Department in November 2014, 210 G.I. Pipes and 128 G.I. Pipes totaling to 338 Pipes had been given to Walalawita and Agalawatta Pradeshiya Sabha respectively. While entries had not been made in the stock books with regard to receipts and issues of these pipes, a GRN had been issued as acknowledgement. While there were 118 pipes were available in the Sabha, any course of action had not been taken with regard to 264 missing pipes. Action had not been taken to record the balance 118 pipes in stock books or to provide adequate security resulting in misplacement of another 20 pipes as there were only 98 pipes as physical balance.

#### 3.4.3 Assets not vested -----

While only 02 burial grounds were belong to the Sabha out of 32 burial grounds in the area of authority of the Sabha, action had not been taken to vest the balance 30 burial grounds.

### 3.4.4 Contracts Administration

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#### (a) Development of Labudola Road

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Although this road had been developed under two parts as 87 meters and 133 meters having spent a sum of Rs. 1,299,622 by the Sabha, first part of the road in extent of 87 meters, had not been performed according to the specified standard.

#### (b) Modification of old library building belongs to the Sabha

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An expenditure amounting to Rs. 4,267,292 had been incurred by the Sabha for tiling and fixing the ceiling to the roof of this building which is more than 40 years old. However, a certificate for suitability for repairs with regard to the strength of the building had not been obtained from a third party before incurring such an expenditure, while it was observed at the physical inspection that the middle part of the roof of the building had sunk and cracks from place to place of the walls were observed.

## 4. Accountability and Good Governance

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### 4.1 Budgetary Control

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Variances in a range from 10 percent to 35 percent between the budget and actual revenue and from 12 percent to 88 percent between the budget and actual expenditure were observed indicating that the budget had not been made use of as an effective tool of management.

### 4.2 Implementation of decisions of the Provincial Accounts Committee

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Orders given by the Provincial Public Accounts Committee held on 04 and 11 January 2018 with regard to paragraphs 1.2 (d), 1.3.3 (i), 1.3.3 (iv), 1.5, 1.6(ii) of the Auditor General's Report for the year 2011, paragraphs 2.1.1 (c), 2.2 (b) (i), 2.2.4 (b) (ii) of the Auditor General's Report for the year 2012 and paragraphs 1.2.2 (b), 1.3.2 of the Auditor General's Report for the year 2013 had not been implemented even as at 15 July 2018.

## 5. Systems and Controls

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Deficiencies observed were brought to the notice of the Sabha from time to time. Special attention of the Sabha is needed in the following areas of controls.

System	Deficiency
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(a) Accountings	Non-maintenance of updated registers.
(b) Revenue Administration	I. Non-recovery of arrears of revenue II. Failure to carry out formal surveys relevant to

- identification of advertisement boards charges and license fees.
- (c) Stores Control

  - Non-maintenance of proper and updated registers.
  - Non-maintenance of a register for the parts removed from vehicles.
- (d) Staff Management

  - I. Non-deployment of road and field laborers under a correct methodology.
  - II. Weaknesses in supervision of duties of employees
- (e) Budgetary Control

  - I. Material variances between the budgeted and actual expenditure.
  - II. Un-realistic revenue estimates.