

Pujapitiya Pradeshiya Sabha

Kandy District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 28 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabha on 13 July 2015.

1.2 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 2014 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

While the total value of Accounts Receivable balances as at 31 December 2014 amounted to Rs.66, 393,616, out of that total of balances which had exceeded a period of 01 year had been Rs.5,514,467.

1.3.2 Accounts Payable

Out of the total value of Accounts Payable balances amounting to Rs.63,124,976 as at 31 December 2014, the total of balances that had exceeded a period of one year had been Rs.7,387,479.

1.3.3 Non-compliance with Laws, Rules and Regulations etc.

Following instances of non-compliance with laws, rules and regulations were observed in audit.

Reference to laws, rules, regulations etc.

Non-compliance

Circular No. CPC/ CL/06/06/02 dated 11 April
2003 of the Chief Secretary to the Central
Provincial Council

i. Security Deposits totaling Rs.25,000 had not been
obtained from 11 officers and employees serving
in the Sabha.

- ii. Balances of 11 accounts valued at Rs.26,250 to be maintained in favor of the officer and should kept under the care of the Head of Establishment had not been taken for safekeeping under the care of the Head of Establishment even as at 31 December 2014.

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 2014 amounted to Rs.5,162,253 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.6,846,061 indicating a decline of Rs.1,683,808 in the financial result.

2.2 Revenue Administration

2.2.1 Performance in Revenue Collection

Information as furnished by the Chairman relating to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review is shown below.

Item of Revenue	Arrears as at 01.01.2014	Revenue billed during the year	Revenue Collected out of arrears as at 01.01.2014	Revenue Collected out of billing 2014	Amount not collected out of arrears 01.01.2014	Amount not collected out of billing 2014	Total to be collected
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Rates and Taxes	1,705,176	2,918,230	626,186	1,622,908	1,078,990	1,295,322	2,374,312
License Fees	--	2,480,000	--	1,901,340	--	578,660	578,660
Lease Rent (Meat, Fish, Stalls)	312,575	997,700	278,000	789,375	34,575	208,325	242,900
Others	2,604,746	9,787,731	2,401,663	2,997,230	203,083	6,790,501	6,993,584
Total	4,622,497	16,183,661	3,305,849	7,310,853	1,316,648	8,872,808	10,189,456

Arrears of revenue as at 31 December of the year under review amounted Rs.10,289,456.

2.2.2 Rates

While there was a balance amounting to Rs.1,705,176 at the beginning of the year under review, billings during the year had been Rs.2,918,230. The percentage of recovery during the year had been 57 per cent. Accordingly, amount to be collected as at 31 December 2014 was Rs.2,374,312. Out of that balance, value of balances that had exceeded a period of 01 year was Rs.1,078,990.

2.2.3 Lease Rent

(a) Lease Rent of stalls of the Ambathenna Market Complex had been revised vide letter No. KD/RP/3536 dated 02 March 2015 of the Valuation Department in falling in line with circular No. 1980/46 dated 31 December 1980 of the Commissioner of Local Government. Revenue at the rate of Rs.29,450 per month totaling Rs.353,400 had been lost, as it had been decided not to implement the new rates of assessment at the General Sabha meeting held on 12 March 2015.

(b) While there was a balance of Rates in Arrears amounting to Rs.242,900 as at 31 December 2014, out of that, the balance that had exceeded a period of 01 year was Rs.34,575. A proper procedure had not been followed to recover these amounts in arrears.

2.2.4 Court Fines and Stamp Fees

Court Fines amounting to Rs.400,000 and Stamp Fees amounting to Rs.6,593,584 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31

December 2014. Out of those balances, Court Fines amounting to Rs.38,422 and Stamp Fees amounting to Rs.3,000,000 remained to be recovered as at 30 June 2015.

2.2.5 Other Revenue

Out of the sum of Rs.342,700 receivable for hiring out the Backhoe Machine, during the year under review, a sum of Rs.52,800 was outstanding to be recovered even as at 30 June 2015.

3. Operating Review

3.1 Management Inefficiencies

Although there were 05 Revenue Debtors balance amounting to Rs.473,092 and a Creditors balance old more than 05 years as at 31 December of the year under review, action had not been taken to settle these balances.

3.2 Operational Inefficiencies

Vehicles belong to the Sabha had been parked un-secured, in a private land situated about 01 kilo meter away from the Sabha, subject to sun and rain, due to lack of a garage belongs to the Sabha.

3.3 Idle and Under-utilized Assets

Following matters are observed.

- (a) Although it was pointed out continuously through past audit reports that the Wastes Crushing Machine purchased for a sum of Rs.85,001 on 18 March 2002 is remaining idle; it had been kept in the stores without a proper cause of action being taken in connection with that machine up to now.
- (b) It was observed that the tractor valued at Rs.968,000 and 02 trailers had been kept idle and under- utilized since a period of more than 05 years.

3.4 Contracts Administration

Development of Unkumbura Godamadiththa – Kitulgolla Road - Amount Spent Rs.490,000

Following matters were observed at the physical inspection carried out on 16 February 2015

- i. When few places of the road surface required to be concreted with a mixture of 1: 2:4 (3/4)" to a thickness of 4" was opened and examined; it was observed that the thickness of that had been 3.6". A sum of Rs.45,121 had been overpaid for 0.897 cubes of work not so performed.

- ii. According to the statements of the Technical Officers, the concrete mixture used had been very frail. It was observed that the road referred to above had not been performed according to estimated standards and standard construction specifications as whole.

4. Accountability and Good Governance

4.1 Procurement Plan

Although capital expenditure amounting to Rs.108,709,436 had been incurred by the Sabha, a Procurement Plan had not been prepared for the year under review.

4.2 Budgetary Control

It was observed according to the budget prepared for the year under review, that the budget had not been made use of as an effective tool of management as there were variations from 18 per cent to 25 per cent in 04 items of revenue and variations from 64 per cent to exceeding 100 per cent in 06 items of expenditure, when the estimated revenue and expenditure are compared with the actual revenue and expenditure

5. Systems and Controls

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

- (a) Accounting
- (b) Budgetary Control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contracts Control.