

**Panduwasnuwara Pradeshiya Sabha**

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**Kurunegala District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements forwarded to the Chairman of the Sabha on 30 October 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Panduwasnuwara 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 Accounting Policies**

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The following matters were observed.

- (a) The items of revenue and expenditure for which followed the accrual basis and cash basis had not been disclosed according to the notes to the accounts.
- (b) The basis for valuation of stocks had not been disclosed in the notes to the accounts.

**1.3.2 Accounting Deficiencies**

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The ayurvedic drugs stock as at 31 December of the year under review amounting to Rs.192,020 had not been brought to account.

### 1.3.3 Unreconciled Accounts

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The differences of Rs.182,451 were shown between the balances according to the financial statements and the balances according to the schedules relating to 03 items of accounts as at the end of the year under review.

### 1.3.4 Accounts Receivable and Payable

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#### (a) Accounts Receivable

A sum of Rs.26,376,186 had remained in arrear for over 01 year out of the receivable accounts balances amounting to Rs.147,141,487 as at 31 December 2017.

#### (b) Accounts Payable

A sum of Rs.22,306,971 had remained without being settled for over one year out of the payable accounts balances amounting to Rs.128,560,752 as at 31 December 2017.

### 1.3.5 Lack of written Evidence for audit

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Six items of accounts totalling to Rs.121,482,001 could not be satisfactorily verified in audit due to non-submission of required information.

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

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The instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>
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	Rs.	
Extra-ordinary Gazette No.1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009.	170,000 (i)	Processing charges for telecommunication towers established in the authoritative area of the Sabha had not been recovered.
	132,000 (ii)	Compliance charges for 21 telecommunication towers for which the Sabha approval received had not been recovered.

## 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.25,420,109 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.56,603,856.

### 2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	3,424	3,776	2,387	156	2,966	3,764	2,214	754
(ii) Lease Rent	22,442	24,439	16,824	99	32,036	29,313	14,305	180
(iii) Licence Fees	1,108	1,306	1,296	6	1,015	1,196	1,196	-
(iv) Other Revenue	111,084	91,756	75,097	50,130	102,214	125,100	80,993	44,107
Total	138,058	121,277	95,604	50,391	138,231	159,373	98,708	45,041

#### 2.2.2 Performance in Collection of Revenue

Out of the billed revenue for the year under review amounting to Rs.121 million and out of the arrears of revenue for the preceding years amounting Rs.45 million, a sum of Rs.96 million had been recovered. A sum of Rs.28 million out of that were the arrears of receipts relating to the preceding years. The arrears as at 31 December of the preceding year amounting to Rs.45 million had increased up to Rs.50 million as at the end of the year under review.

### 2.2.3 Rates and Taxes

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The following matters were observed.

- (a) Out of the arrears of assessment rates as at 31 December of the year under review amounting to Rs.91,956, a sum of Rs.66,260 had to be recovered from 27 units of which arrears more than Rs.1000.
- (b) The arrears of water charges as at 31 December of the year under review amounted to Rs.708,689 and an arrear of Rs.125,387 had remained relating to 15 water units disconnected.
- (c) Action had not been taken to recover business tax amounting to Rs.48,000 relating to 34 units of businesses in terms of Section 152(4) of Pradeshiya Sabha Act No.15 of 1987.

### 2.2.4 Court Fines and Stamp Fees

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The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council as at 31 December 2017 amounted to Rs.8,721,589 and Rs.36,413,507 respectively.

## 3. Operating Review

### 3.1 Performance

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The matters revealed on the execution of activities to be executed by the Sabha in respect of regularize and control over the matters such as public health, public utility services and public roads and comfort, facility and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

#### (a) By-laws

Even though, the by-laws should be imposed to execute 30 major matters under Section 126 of the Pradeshiya Sabha Act, the Sabha had embraced the general by-laws made by the Minister.

#### (b) Non-execution of Expected Output Level

The activities of 02 water projects of which estimated value amounting to Rs.3,310,247 had not been completed even by December 2017.

#### (c) Abandoned Activities

According to the budget of the year under review 22 works amounting to Rs.13,370,108 had not been implemented.

**(d) Solid Waste Management**

A capital expenditure amounting to Rs.5,010,559 had been made for the Solid Waste Management Centre in the year under review and 2015 tones of waste had been collected during the year but only 23,575 kilograms of composts had been produced by utilizing bio-degradable waste.

**(e) Sustainable Development Goals**

The Sabha had aware in respect of the 2030 Agenda of the Sustainable Development Goals and the Development of backward solitude villages projects, women improvement programmes and maternal and child care nutrition programmes had been implemented with an objective to get rid of poverty.

**3.2 Management Inefficiencies**

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The following matters were observed.

- (a) The advance money amounting to Rs.5,516,737 had to be recovered from 04 trade stalls in the Hettipola Bus Stand even by 31 December 2017.
- (b) Without being prepared a list of work envisaged to execute during the year under review the estimates had been made in the budget at the rate of Rs.40,000 per Grama Niladhari Division during the year under review.

**3.3 Human Resources Management**

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A sum of Rs.359,289 had to be recovered from 21 employees who had not employed in the Sabha at present.

**3.4 Operating Inefficiencies**

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The following matters were observed.

- (a) Six trade stalls of which the minimum monthly rental amounting to Rs.71,250 had not been leased in the year 2017.
- (b) Action had not been taken to recover trade stall rent and to sign agreements according to the new assessment of 04 trade stalls for which monthly rental of Rs.1,950 .

**3.5 Assets Management**

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**3.5.1 Assets Not Recorded**

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The following matters were observed.

- (a) Action had not been taken for vesting of 143 cemeteries to the Sabha which maintained by the funds of the Sabha annually.

- (b) The ownership of a cab vehicle utilized by the Sabha had not been vested from the Chief Secretary.

### **3.6 Procurements**

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#### **3.6.1 Supplies and Services**

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Even though the shopping procedure had been followed to purchase of office equipment the priority had been given to unregistered suppliers.

#### **3.6.2 Contract Administration**

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The following matters were observed.

- (a) Even though the First lane, Malagane, Walauwatta had been developed by laying block stones for a sum of Rs.610,345, the block stones had subsided in the road about an extent of 3x2.8 metres and the gravel laid both sides of the road by spending Rs.28,114 had washed away.
- (b) Even though, the construction of Solid Waste Management Centre building on the contracted value of Rs.3,602,730 should be completed before 30 August 2017, the constructions had not been completed even by 12 December 2017 and the liquidated damages amounting to Rs.94,571 had not been recovered.

### **4. Accountability and Good Governance**

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#### **4.1 Budgetary Control**

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Significant variances ranging from 15 per cent to 100 per cent between the budgeted and actual figures of 06 revenue and expenditure items were observed.

#### **4.2 Internal Audit**

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The copies of the internal audit reports had not been furnished to the Auditor General.

### **5. Systems and Controls**

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The 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 controls.

<b>System</b> -----	<b>Deficiency</b> -----
(a) Revenue Control	Action not taken to recover arrears of revenue.
(b) Non-maintenance of books and registers	Failure to obtain the deeds for the lands, buildings and cemeteries for which non-availability of certificates of deed transfers.
(c) Procurement Process	Action not taken according to the Procurement Guidelines.
(d) Budgetary Control	(i) Budgetary Variances
	(ii) Not included a list of projects envisaged to construct.
(e) Contract Administration	(i) Not obtained the benefits for the expenditure incurred.
	(ii) Weaknesses in supervision of road development activities.