

Eplogama Pradesiya Sabha
Anuradhapura District

1 Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2017 had been presented to the audit on 29 March 2018 while the Auditor General's Report relating to Financial Statement was sent to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Eplogama Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year ended in accordance with generally accepted accounting principle.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following facts were observed.

- (a) Although the Courts Fine Revenue relevant to the year under review was Rs.4,819,476 it had been shown as Rs. 4,498,934. Due to this, Courts Fine Revenue for the year under review had been under stated by Rs.320,542.
- (b) Income of Rs.1,550,095 relating to 10 Leased Market places had been shown as Rs.1,430,095 in the Income Expenses Account in the year under review. Due to this, the income was understated by Rs.120,000.
- (c) Business Tax and Market Income of Rs.883,550 related to the year under review had been shown as Rs.894,550 in the Income Expense Account. Due to this the income was overstated by Rs.11,000.
- (d) The Garbage Tax income which was Rs.1,372,750 of the year under review had been shown as Rs.1,333,457 in the Financial Statements. Due to this, income was understated by Rs.39,293.
- (e) Although the Employee Trust Fund, Employee Provision Fund and Pension Benefits Expenses were Rs.255,736 during the year under review, it had been shown as Rs.234,779 in the Financial Statements. Due to this the expenses of the year was understated by Rs.20,957.
- (f) Although the Puranaguma Building which had been given to the Sabha worth of Rs.40,888,592 it had been accounted as Rs.34,755,303 in the year under review. Due to this the accounted of contribution from the income to the fixed assets and the capital input had been less Stated by Rs.6,133,289.

- (g) The Stamp Fees Income of Rs.4,651,950 relating to the year 2017 and 2016 had not been identified and accounted.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

Following facts were observed

- (i) The Garbage Tax Income to be received from 147 places during a period of 06 month to 94 months as at 31 December in the year under review was Rs.374,362.
- (ii) The income to be received from 30 stalls during a period of 03 months to 78 months as at 31 December in the year under review was Rs.79,430.
- (iii) Total of the balances to be received from 72 projects which had been implemented by the sabha in the year under review and the past year was Rs.34,750,912.

(b) Accounts Payable

Rs.37,014,374 had to paid from 92 projects which had been implemented by the sabha in the year under review and in the past years.

1.3.3 Lack of written evidence for the audit

Transaction totalling Rs.269,369,103 relevant to 06 subjects could not be satisfactory vouched in audit, due to non-submission of required information to audit.

1.3.4 Non-compliance

1.3.4.1 Non-compliance with laws, rules, regulations and management decisions

Reference to Laws, Rules, Regulations and Management Decisions	No-Compliance
(a) 1988 Pradeshiya Sabha (Financial and Administration) Rule 59	Documents were not updated a yearly by investigation of the Industries and Businesses of the sabha.
(b) Treasury Circular IAI/2002/02 dated 28 November 2002	A Fixes Assets Register had not been maintained relating to computer accessories and software.
(c) Public Administration Circular No.30/2016 dated 29 December 2016	A Fuel Test had not been done for the vehicle owned by the sabha.

1.3.4.2 Non Compliance with the tax Needs

Rs.18,300 that had been collected as stamp fees when collecting Telephone Towers Revenue according to Stamp fees Special Provisions Act No.12 of 2006 in the period of months October to November in the year under review it had been not remitted to Commissioner General of Inland Revenue on 31 July 2018.

2 Financial Review

2.1 Financial Result

According to the Financial Statements presented, the excess of revenue over recurrent expenditure of the year ended 31 December 2017 amounted to Rs.5,119,587 as compared with the corresponding excess of revenue over recurrent expenditure for the amounting to Rs.2,778,852.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

(a) Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

(b)

Revenue subject	Opening balance as at 01 January 2017	Billed Revenue of the year 2017	Collected Revenue of 2017		Arrears Revenue as at 31 December
	Value. Rs.	Value.Rs.	Arreaes 01.01.2017 Value.Rs.	Billed Cash 2017 Value.Rs.	Value.Rs.
Stall Rent	135,121	1,647,180	85,780	914,740	79,430
Waste Tax	339,500	1,333,457	107,450	1,137,300	428,207
Lease Rent (Tender)	297,900	1,430,095	174,033	1,315,464	69,202
Court Fines	3,720,731	4,498,934	3,042,572	-	5,386,180
Stamp Fees	1,867,211	1,150,000	1,867,211	779,499	370,501
Industry Tax	-	140,800	-	140,800	-
Business Tax (Retail Business)	-	163,250	-	163,250	-

Business Tax	-	105,250	-	615,050	-
Licence Fees	-	105,250	-	105,250	-
Total	<u>6,360,463</u>	<u>10,574,216</u>	<u>5,277,046</u>	<u>5,171,353</u>	<u>6,333,520</u>
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2.2.2 Rates and Taxes

Action had not been taken to impose a tax and Rates on the basis of annual revalue of a Fixed property or Fixed property type situated in the Ranajayapura Army City Complex which is declared as developed areas of Authority of the Sabha in terms Section 134 of the Pradeshiya Sabha Act No.15 of 1987.

2.2.3 Lease Rent

Stamp fees amounting to Rs.93,177 relating to 03 Market places during a period of year 2014 to year 2017 had not been recovered.

2.2.4 Stamp Fees

Stamp Fees amounting to Rs.370,501 were due to be recovered as at 31 December in the year under review.

2.2.5 Court Fines

Court Fines amounting to Rs.5,386,180 were due to be recovered as at 31 December in the year under review.

3 Operating Review

3.1 Performance evaluation

Actions which should be taken by the Sabha to healthcare of the people, Public Services, Control of the public roads in a manner upliftment of the Section 3 of the Pradeshiya Sabha Ordinance had been shown below.

(a) Solid Waste Management

The waste in the area of the authority of the Sabha is collected and converted to produce compost by the Pilisaru Unit which was established and it had earned a revenue of Rs.158,500 the Solid Waste like polythene and plastic which cannot be sold or used to produce compost had been burnt and buried. Due to this a system had not been carried which environmental friendly and healthy.

(b) Targets of Sustainable Development

The Sabha had not been aware of the 2030 Memo of the United Nations Sustainable Development.

3.2 Management Inefficiencies

Following Facts were observed

- (a) The Public Toilets that were located in Hiripitiyagama, Mahailuppalama, Ranajayapura and the Ranajayaoura Trade Building which were owned to the sabha had not been shown as Fixed Assents in the Financial statements.
- (b) A tractor teller and 2 water bowsers which worth Rs.687,000 had been owned and utilizing by the sabha without registering.

3.3 Human Resource Management

Actions had not been taken to collect the loan balance of Rs.8,500 even till August 2018 from 03 employees who resigned, transferred during the period from the year 2012 to year 2015.

3.4 Operational inefficiencies

Following facts were observed

- (a) Actions had not been taken to revise and update the lease agreements during a period from the year 1992 to year 2009 relating to the 53 stalls of the sabha which had leased out.
- (b) Although it had been shown that there were 46 stalls in the two places in Financial statements and Assets Documents as at 31 December during the year under review, the stall rent had been collected from only 32 stalls in the 02 places according to the stall rent document.

3.5 Assets Management

3.5.1 Idle and Under – utilized Assets

Vehicles, Equipment and machinery valued at Rs.2,150,800 as at 31 December in the year under review had remained idle since several year.

3.6 Improper Transactions

Two Lease Renters had paid Rs.120,000 directly to a sacred place from the agreed rent and the balance had been paid to the sabha during the year under review.

3.7 Identified Losses

There was a financial loss of Rs.1,457,600 to the Sabha fund during the end of the year under review due to not recovering the lease rent from 19 stall in two places in the area of the authority of the Sabha during past 23 years.

4 Accountability and Good Governance

4.1 Internal Audit

An Internal Audit report had not been presented although an internal audit officer had been appointed to the Sabha in accordance with the Circular No.04/2015 dated. 18 March 2015 of North Central Province Commissioner.

4.2 Audit and Management Committees

Audit and management committees had not been implemented during the year review.

5 Systems and Controls

The deficiencies that were revealed in the Audit had been paid attention to the sabha and special attention is needed in the following areas of controls.

<u>Systems</u>	<u>Deficiency</u>
(a) Accounting	Accounts books and document had not been updated and maintained.
(b) Fixed Assents	(i) All the Assents had not been documented. (ii) The ownership of the properties had not been take over. (iii) The proposals of the Goods Verification Board had not been implemented.
(c) Collection of Revenue	(i) Valuation of the properties had not been done. (ii) Collection of the Arrears Revenue was not efficient. (iii) Investigation had not been done regarding the work of the Revenue Officers.
(d) Internal Control	Internal Audit reports had not been presented by doing Internal Audit.