

KebithigollewaPradeshiya Sabha
Anuradhapura District

01. Financial Statements

1.1 Presentation of Financial Statements

Financial statements of the year 2017 had been presented to the Audit on 29 arch 2018 and the report of the Auditor General relating to those financial statements had been 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 KebithigollewaPradeshiya 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 Deficiencies

The following matters were observed.

- a) Provision had not been made for the audit fees in the financial statements of the year under review.
- b) Sums of Rs. 189,976 and Rs. 243,304 spent on compost bins and computer accessories respectively, had been brought to accounts under lands and buildings. As such, lands and buildings had been overstated by a sum of Rs. 433,280.
- c) The value of 188 galvanized pipes amounting to Rs. 208,143 received by the Sabha in the year 2014, had not been brought to accounts under the fixed assets.
- d) The sum of Rs. 2,816,402 received in the year 2017 for theMargaSathiya Programme – 2016 had been brought to accounts as a revenue of the year under review thus overstating the revenue of the year by that amount.
- e) According to the main cash book, the balance as at 31 December of the year under review amounted to Rs. 4,867,258, but that value amounted to Rs. 4,644,670 in the financial statements. Thus, the current assets had been understated by a sum of Rs. 222,588.
- f) As a sum of Rs. 110,775 had been received in excess from the Department of Local Government when salaries of the permanent cadre of the Sabha had been reimbursed, income of the year had been overstated by that amount.
- g) Despite the payment of bills relating to the roads developed under the MargaSathiya Programme – 2017, a sum of Rs. 584,305 had been shown as creditors.

- h) The annual income from 13 leased properties of the Sabha totaled Rs. 3,445,566 though, that sum had been shown in the Income and Expenditure Account as Rs. 2,202,767. As such, the income had been understated by Rs. 1,242,799.

1.3.2 Unreconciled Accounts

A difference of Rs. 43,301 was observed between the balances shown in financial statements and subsidiary documents relating to 02 Items of Accounts.

1.3.3 Accounts Receivable and Payable

a) Accounts Receivable

Action had not been taken to recover 04 receivable account balances totalling Rs. 79,965 being brought forward over many years.

b) Accounts Payable

Action had not been taken to settle 02 payable account balances totalling Rs. 630,941 continued to exist over many years.

1.3.4 Lack of Documentary Evidence for Audit

Due to failure in furnishing the required information, 04 Items of Accounts totalling Rs. 71,510,558 could not satisfactorily be verified in audit.

1.3.5 Non-compliances

Non-compliances with Laws, Rules, Regulations, and Management Decisions

Instances of non-compliances with Laws, Rules, Regulations, and Management Decisions, are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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a) Section 177 of the PradeshiyaSabhas Act, No. 15 of 1987	A scheme had not been established for the payment of gratuity to the temporary and casual employees of the Sabha once their service is terminated.
b) Local Government Circular, No. 1/95, of the Commissioner of the Local Government, North Central Province, dated 29 January 1995.	Sureties had not been obtained from any of the responsible officers.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the expenditure in excess of the recurrent revenue of the Sabha amounted to Rs. 1,687,482 for the year ended 31 December 2017 as against the revenue in excess of the recurrent expenditure amounting to Rs. 4,129,923 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Outstanding Revenue

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

Source of Revenue	Opening balance as	Revenue billed for the	Revenue Collected in the year 2017		Revenue in Arrears
	at 01 January 2017	year 2017	2017.01.01	Of the sum Billed for	as at 31 December
	Value	Value	Deficit	2017	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Business and industrial taxes	-	210,000	-	265,800	-
Court fines	1,041,473	593,490	-	-	1,634,963
Stamp fees	1,073,450	-	-	-	1,073,450
Garbage tax	-	300,000	-	254,600	-
Trade license	-	350,000	-	265,740	-
Stall rent	82,202	876,000	-	883,000	82,202
Lease rent	589,084	3,488,900	397,150	1,767,394	241,823
Total	2,786,209	5,818,390	397,150	3,436,534	3,032,438

2.2.2 Performance in Collecting Revenue

According to the report on the performance in collecting revenue given by the Secretary of the Sabha, a sum of Rs. 397,150 out of the lease rents amounting to Rs. 589,084 as at 01 January 2017, a sum of Rs. 1,767,394 out of the lease rents amounting to Rs. 3,488,900 billed for the year, had been collected during the year under review. However, the value of lease rents that remained further recoverable by the end of the year, amounted to Rs. 241,823. As such, it was observed that the values shown in the performance report in the collection of revenue furnished by the Secretary, were erroneous.

2.2.2 Rates and Taxes

In terms of Section 134 (i) of the Pradeshiya Sabhas Act, No. 15 of 1987, it is necessary to impose and levy a rate on the annual value of any immovable property or any species of immovable property situated in localities declared by the Pradeshiya Sabha. However, action had not been taken to identify the developed areas in the locality of the Sabha and charge the Rates in accordance with instructions of the Act.

2.2.4 Lease Rents

The outstanding lease rent balance of Rs. 241,823 as at the end of the year under review comprised sums of Rs. 29,600 and Rs. 112,334 relating to the years 2013 and 2014 respectively, but action had not been taken even up to August 2018 to recover those balances.

2.2.5 Court Fines and Stamp Fees

Revenue from the stamp fees had not been estimated for the year under review, and a sum of Rs. 1,073,450 out of the stamp fees existed at the beginning of the year, had remained recoverable from the Chief Secretary of the Sabha.

3. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) Bylaws

Ten bylaws made by the Provincial Council for the execution of activities mentioned under Section 126 of the Pradeshiya Sabhas Act, had been followed by the Divisional Secretariat under the Gazette Extraordinary, No. 2056, dated 26 January 2018. However, action had not been taken in accordance with those bylaws.

(b) Action Plan

An annual Action Plan had not been prepared for the activities to be executed by the Sabha in terms of Public Finance Circular, No. 01/2014, dated 17 February 2014.

(c) Activities not Executed

Even though provision totaling Rs. 2,125,969 had been received in the year under review and the preceding year for 24 development projects, those projects had not been commenced even by 30 June 2018.

(d) Solid Waste Management

Non-degradable waste form the garbage collected by the Sabha, had been disposed of at a land belonging to the Government. As those wastes remained exposed to the environment, it was observed that the residents of the area would face health-related risks , and disposal and burning of non-degradable wastes would cause a detrimental impact on the environment.

(e) Sustainable Development Goals

The Sabha had not become aware of the “2030 Agenda” of the United Nations relating to Sustainable Development Goals.

3.2 Management Inefficiencies

The following observations are made.

- (a) The value of 44 cemeteries, 13 lands, and 04 lands with buildings had not been assessed and brought to accounts.
- (b) Action had not been taken to recover 88 galvanized pipes valued at Rs. 97,429 given to the members of the Pradeshiya Sabha.
- (c) Approval of the Minister in charge of the subject was sought on 21 February 2014 to write off the lease rent totaling Rs. 82,202 that remained in arrears with respect to 05 trade stalls from the year 1994. But, the approval was not granted even up to 30 August 2018.

3.3 Human Resource Management

The approved cadre had been 39 but the actual cadre had been 21, thus indicating 19 vacancies and an excess post of watchman.

3.4 Operating Inefficiencies

The Sabha owned 15 vehicles. However, the vehicles could not be used as required since only one permanent driver and another driver on casual basis had been employed.

3.5 Assets Management

3.5.1 Idle / Underutilized Assets

Six vehicles belonging to the Sabha had not been utilized in the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 12 per cent to 117 per cent were observed between the budgeted revenue and the actual revenue relating to 05 Items of Revenue whilst variances ranging from 17 per cent to 99 per cent were observed between the budgeted expenditure and the actual expenditure relating to 06 Items of Expenditure. Hence, the budget had not been made use of as an effective instrument of management control.

4.2 Audit and Management Committee

An Audit and Management Committee had not been established in terms of Circular, No. DMA/2009(1) of the Management Audit Department, dated 09 June 2009 and the Audit Circular, No. NCP/CS/01 of the Chief Secretary of the North Central Province, dated 11 May 2016.

5. Systems and Controls

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 control.

System -----	Deficiency -----
a) Accounting	Failure to maintain Books of Accounts and the Registers in an up-to-date manner.
b) Management of Assets	(i) Failure to update the Register of Fixed Assets. (ii) Failure to conduct the Board of Survey.
c) Staff Management	(i) Failure to prepare the organizational chart and ascertain the required staff. (ii) Failure to deploy the employees in the post they were appointed to. (iii) Failure to fill vacancies.