

Padaviya Pradeshiya Sabha
Anuradhapura District

01 . Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2017 had been presented to Audit on 05 April 2018 and the Auditor General's Report 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, financial statements give a true and fair view of the financial position of the Padaviya 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 Deficiencies

The following observations are made.

- (a) A debit balance of Rs. 24,000 and two credit balances totaled Rs. 153,443 stated in the trial balance had been omitted from the financial statements.
- (b) As the value of 272 library books worth Rs. 126,480 purchased in the year, 2017 had not been brought to account, value of library books and the Revenue Contribution to Capital Input Account had been understated by that amount.
- (c) As the assets worth Rs. 808,737 constructed upon provisions of the *Puraneguma* Project had been omitted from account, fixed assets and the Revenue Contribution to Capital Input Account had been understated by that amount.

1.3.2 Un-reconciled Accounts

The following observations are made.

- (a) Although total of the net assets amounted to Rs. 109,752,491 in the trial balance as at 31 December of the year under review, total of the accumulated fund and reserves amounted to Rs. 110,053,442 . Accordingly, a difference of Rs. 300,951 was observed.
- (b) Although Government recurrent contribution had been stated as Rs. 8,083,512 in the statement of financial operation of the year under review, the revenue assistance under the Recurrent Revenue

Head in the Income and Expenditure Account had been stated as Rs. 8,538,316 and as such a difference of Rs. 454,804 was observed.

- (c) Even though the balance of accumulated fund and the deficit account amounted to Rs. 1,467,307 according to the Ledger Account of the year under review, that balance stood at Rs. 893,856 as per the financial statements and therefore, a difference of Rs. 573,451 was observed between the ledger account and the financial statements.
- (d) The value of fixed assets as at the end of the year under review amounted to Rs. 109,206,086 and the value of Revenue Contribution to Capital Input Account amounted to Rs. 109,159,586 and as such, a difference of Rs. 46,500 was observed between the above two accounts.

Accounts Receivable and Payable

- (a) Accounts Receivable
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Action had not been taken to settle the water industries stores balance of Rs. 216,285 which had been brought forward in the financial statements over a number of years .

- (b) Accounts Payable
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Action had not been taken to settle the sundry creditors balance of Rs. 13,028 which had been brought forward in the financial statements over a number of years.

1.3.4 Lack of Documentary Evidence for Audit

Since necessary information had not been furnished, 04 items of accounts totalling Rs. 108,663,108 could not be satisfactorily verified in audit.

1.3.5 Non-compliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance 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) Pradeshiya Sabha Act No.15 of 1987. Section 177.	Action had not been taken to impose by- laws relating to the establishment of a gratuity scheme for the payment of gratuity for the temporary and casual employees of the Sabha.
(b) Rules (Financial and Administration) of Pradeshiya Sabha, 1988	Although the Secretary of the Sabha should assure that proper insurance coverage has been taken in respect of cash in transits and other valuable goods of the Sabha, evidence had not

2.2 Revenue Administration2.2.1 Estimated Revenue, Actual Revenue, and Revenue in Arrears

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 at	Revenue Billed for	Revenue Collected for 2017		Revenue in Arrears
	01 January 2017	2017	Arrears as at 01.01.2017	From the Amount Billed for 2017	as at 31 December 2017
	Value	Value	Value	Value	Value
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	Rs.	Rs.	Rs.	Rs.	Rs.
Rates	-	550,000	-	346,200	203,800
Rents	36,300	2,964,600	29,300	2,541,385	430,216
Licence Fees	275,850	611,000	27,100	594,300	265,450
Charges for Services	-	316,000	-	271,596	44,404
Warrants and fines	1,908,280	801,000	-	1,775,760	933,520
Other Revenue	-	1,119,000	-	119,660	999,340
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Totall	2,220,430	6,361,600	56,400	5,648,901	2,876,730
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2.2.2 Performance of the Collection of Revenue

As registers had not been properly maintained in respect of revenue, the Sabha had failed to state the units of outstanding revenue and the units of billed revenue and out of other revenue of Rs. 1,119,000 estimated to be recovered during the year under review, revenue of Rs. 119,660 had been collected and accordingly, a sum of Rs. 999,340 or 89 per cent could not be recovered.

2.2.3 Rates and Taxes

The following observations are made.

- (a) Although the billed revenue for the year under review amounted to Rs. 550,000, only a sum of Rs. 346,200 or 62 per cent thereof had been collected during the year under review.
- (b) According to the financial statements, the opening outstanding balance of the rates and taxes of the year under review amounted to Rs. 189,233. Nevertheless, according to the information furnished to the Audit by the Secretary of the Sabha, there was no outstanding opening balance for the year.

2.2.4 Warrants and Fines

The fines that should be collected by the end of the year under review amounted to Rs. 2,709,280, whereas Rs. 1,775,760 or 65 per cent only had been collected and a sum of Rs.933,520 further remained outstanding.

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 Sabha Act, are as follows.

(a) By-Laws

Even though By-laws should have been imposed under Section 126 of the Pradeshiya Sabha Act for the execution of 28 key functions, by-laws had not so been imposed relating to the execution of those functions even by 31 December 2017.

(b). Action Plan

(b) Action Plan

An Annual Action Plan had not been prepared in respect of the activities to be carried out by the Sabha.

(d). Solid Waste Management

Non-degradable matters such as polythene found in the garbage collected in the area of authority were being burnt in open land close to the Pilisar Project. As this may cause health problems to the employees of the Pilisar Project and the peoples in the area, it had been stated that action would be taken to construct a stores complex and these items would be stored therein. Nevertheless, there was no long term programme for that purpose with the Sabha.

(d). Sustainable Development

The Sabha had not been aware of the Agenda 2030 on the Sustainable Development Goals adopted by the United Nations Organization.

3.2 Management Inefficiencies

The following deficiencies were observed in connection with the implementation of recommendations and proposals specified in the Local Government Reformation Circulars..

	Circular No.	Recommendation No.	Subject	Deficiencies
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(a)	03	03	Assets Management	i. Failure to take action to obtain title deeds/deeds and plans ii. Failure to mark boundaries of the lands
(b)	06	2.2(iii) 03	Road Maintenance	Failure to establish a continuous operating system for road maintenance. Failure to declare limits of the rods belonging to the Sabha by Gazette notifications.
(c)	09	07	Cemeteries	i. Failure to proclaim the cemeteries and burial grounds under the Cemeteries and Burial Ordinance.

- ii. Failure to take action in accordance with the procedure specified relating to 07 matters including keeping the documents retaining to the rights of the cemeteries under safe custody.

3.3 Human Resource Management

The following observations are made.

- (a) Seventeen various posts had fallen vacant by the end of the year under review and necessary steps had not been taken to fill those vacancies, thus causing obstacles to the daily functions of the Sabha.
- (b) Action had not been taken to recover outstanding loan balances of employees amounting to Rs. 13,125 continued to exist since the period before 2010, from the guarantors or recover the same in terms of Sections 4.2.6, 4.3, 4.4, 4.4.1, 4.5 and 4.6 of the Chapter xxiv of the Establishments Code.

3.4 Assets Management

3.4.1 Idle/Underutilized Assets

Four vehicles and accessories belonging to the Sabha had been parked without being utilized. Action had not been taken to repair and use such vehicles or to dispose of such vehicles if they were beyond the repairs.

3.5 Identified Losses

According to the report of the Board of Survey as at 31 December 2017, forty eight library books worth Rs. 11,619 had been misplaced. Nevertheless, action had not been taken to recover the value of those books while taking action in terms of Paragraph 04 of the Instructions Circular No. 2004/स.स./01 dated 26 January 2004.

4. Accountability and Good Governance

4.1 Budgetary Control

As the budget had been prepared without making proper forecasting, a variance ranging from 15 per cent to 87 per cent was observed between the budgeted and actuals of 07 items of revenue whilst a variance ranging from 24 per cent to 88 per cent was observed between the budgeted and actuals of 04 items of expenditure in the year under review. Thus, it was observed that the budget had not been made use of as an effective instrument of management control.

4.2 Internal Audit

Even though an Internal Auditor accountable to the Sabha had been appointed in terms of Section 06 of the Circular, No. 04/2015, dated 18 March 2015 issued by the Commissioner of the Local

Government of the North Central Province, no internal audits had been carried out and issued audit reports.

4.3 Audit and Management Committees

 Audit and Management Committees had not been appointed in accordance with the Circular, No. DMA/2009(1) of the Management Audit Department, dated 09 June 2009.

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) Revenue Control	i. Failure to assess properties. ii. Inefficiency of the collection of outstanding revenue. iii. Failure to supervise duties of the Revenue Officers. ◦
(b) Planning	Non-preparation of a Corporate Plan, Action Plan and Procurement Plan.
(c) Debtors /Creditors	i. Failure to prepare the age analysis. ii. Failure to prepare schedules.
(d) Solid waste management	Failure to take action for recycling non-degradable solid waste.
(e). Accounting	Failure to maintain accounts books and registers in an updated manner.
(f) Fixed Assets	i. Failure to enter all the assets in registers. ii. Existence of idled assets. iii. Failure to implement proposals of the Board of Survey. iv. Carrying out constructions in the properties which had not been vested in.
(g) Internal Audit	Failure to carry out internal audit and issue internal audit reports.