

Palagala Pradeshiya 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. The Report of the Auditor General relating to those financial statements was issued 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 Palagala 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.) The value of the library books received and purchased during the year under review aggregated to Rs. 133,381. However, that value had been shown as Rs. 260,853 in the financial statements, thus overstating the fixed assets by a sum of Rs. 127,472.
- (b.) The contribution to pensions amounted to Rs. 14,197 in the year under review, but the sum of Rs. 50,000 paid in 02 instances had been brought to accounts as expenses of the year. As such, the expenditure had been overstated by a sum of Rs. 35,803.
- (c.) As the pensions amounting to Rs. 382,059 payable as at the beginning of the year under review had been brought to accounts as an expenditure of the year, the expenditure of the year had been overstated by that amount.
- (d.) Even though the tax income receivable from 03 properties belonging to the Sabha totaled Rs. 1,375,001, that value had been stated in the financial statements as Rs. 1,410,084. As such, the income of the year had been overstated by Rs. 35,083.

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

Instances of non-compliances with Laws, Rules, Regulations, and Management Decisions, are as follows.

Reference to Laws, Rules,
Regulations and Management
Decisions

Non-compliances

- (a.) Pradeshiya Sabha Act, No. 15 of 1987.
 - (i.) Section 134.1 Action had not been taken to recover assessment tax based on the annual assessment of the properties by identifying

the developed areas in the division, and impose taxes on the non-developed lands.

- (ii.) Section 177 A scheme for paying gratuity when the service of the employees serving the Sabha on temporary, and casual basis is terminated, had not been established
- (b.) Rules of Pradeshiya Sabha 1988 (Finance and Administration)
Rule 5.11 An insurance had not properly been obtained for the cash in transit and other valuables belonging to the Sabha.
- (c.) Treasury Circular, No. IAI/2002/02, dated 28 November 2002. A register for computers and software being used by the Sabha, had not been maintained.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 8,446,979 for the year ended 31 December 2017 as compared with the revenue in excess of the recurrent expenditure amounting to Rs. 3,090,399 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, and Collected 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 at 01 January 2017	Revenue Billed for the year 2017	Revenue Collected for the year 2017		Revenue in Arrears as at 31 December 2017
			From the Arrears as at 2017.01.01	From the Revenue Billed for the Year 2017	
	Value	Value	Value	Value	Value
	Rs.	Rs.	Rs.	Rs.	Rs.
Court Fines	6,937,024	7,996,468	1,309,406	-	13,624,086
Stamp Fees	1,742,530	634,600	-	-	2,377,130
Tax on Businesses	-	1,037,230	-	1,037,230	-
Fees on Hoardings	-	60,095	-	16,170	43,925
Garbage Tax	-	98,100	-	98,100	-
Trade License Fees	-	100,008	-	100,008	-
Trade Stalls and Shops	-	33,000	-	33,000	-
Rents on Tenders	-	1,410,085	-	1,410,085	-
Motor Grader Rents	-	963,500	-	818,550	144,950
Total	<u>8,679,554</u>	<u>12,333,086</u>	<u>1,309,406</u>	<u>3,513,143</u>	<u>16,190,091</u>

2.2.2 Other Revenue

The balance receivable by renting the motor grader of the Sabha amounted to Rs. 144,950 by the end of the year under review.

2.2.3 Court Fines and Stamp Fees

Court fines amounting to Rs. 13,624,086 and stamp fees amounting to Rs. 2,377,130 had remained receivable as at 31 December 2017. Of that, Court fines amounting to Rs. 7,150,000 had only been received as at 31 August 2017. As such, Court fines amounting to Rs. 6,479,086 and stamp fees amounting to Rs. 2,377,130 had remained further receivable.

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

By-laws should have been made under Section 126 of the Pradeshiya Sabhas Act to carry out 28 main activities. Nevertheless, it had been published in the Gazette, No. 2048, dated 30 November 2017 that the North Central Provincial Council had made 10 bylaws. However, the those activities had not been carried out in accordance with the instructions in the relevant bylaw.

(b) Action Plan

An annual Action Plan had not been prepared by identifying and including the activities that should have been carried out by the Sabha.

(c) Activities External to the Objectives

Even though provision amounting to Rs. 500,000 had been approved through the letter of the secretary to the Ministry of Local Governments, dated 22 June 2016 for repairing the Ayurvedic Center at the old office in Andiyagla, a new roof had been fixed at the front area of the library building at the premises of the Sabha by utilizing the said provision.

(d) Failure to Achieve the Expected Level of Output

A sum of Rs. 3,311,230 had been spent as at 31 December of the year under review on the implementation of 02 projects with an estimate value of Rs. 9,413,870. However, the expected level of output could not be achieved.

(e) Solid Waste Management

The Sabha had not implemented a solid waste management project in their division. Waste weighing about 15 tons being generated monthly had improperly been disposed of at 02 locations in the division of the Sabha.

(f) Environmental Issues

As both degradable and non-degradable waste had been disposed of in the environment, it was observed that environmental problems had resulted in whilst causing a detrimental impact on the atmosphere due to burning the waste.

(g) Sustainable Development Goals

The Sabha had not become aware of the 2030 Agenda of sustainable development adopted by the United Nations.

3.2 Management Inefficiencies

A tractor purchased by the Sabha in the year 2012 had been made use of without being registered.

3.3 Human Resource ManagementVacancies and Excess Employees

The number of employees approved for the Sabha had been 35 but 38 employees had served the Sabha as at 31 December 2017 including the casual employees.

3.4 Assets Management3.4.1 Failure to Record the Assets

According to the report of the Board of Survey for the year under review, 09 items of assets the value of which had not been identified, had been included in the Register of Assets.

3.4.2 Failure to Confirm the Security of Assets

The plot of land in extent of about one acre in Budugehinna with 05 trade stalls had been encroached. The risk existed for the Sabha to be deprived of the ownership of the land.

3.4.3 Non-vested Assets

The following matters were observed.

- (a) The ownership of 38 cemeteries in extent of 34.75 acres within the division of the Sabha, had not been taken over by the Sabha.
- (b) Fourteen plots of land in extent of 17.5 acres that had been maintained by the Sabha or where constructions had been made, and the ownership of another land of which the extent had not been mentioned, were not taken over by the Sabha even up to 31 March 2018.

3.4.4 Idle and Underutilized Assets

The value of 67 items of computers and accessories at the Nenasala Centers operated by the Sabha in Andiyagala and Pubbogama, had not been identified and brought into the financial statements. Due to failure in appointing a qualified officer to conduct computer courses to the Nenasala Centers since the year 2014, the assets thereof remained idle whilst some of the equipment became unusable by 31 August 2018.

3.5 Identified Losses

Action had not been taken on 85 books valued at Rs. 22,170 pertaining to 02 libraries that had been revealed in the Board of Survey of the year 2017.

3.6 Procurement

3.6.1 Procurement Plan

A Procurement Plan had not been prepared by the Sabha for the year under review.

4. Accountability and Good Governance

4.1 Budgetary Control

As the budget estimate had been prepared without forecasting properly, a variance ranging from 43 per cent to 519 per cent was observed between the budgeted and actuals of 05 items of revenue whilst a variance ranging from 34 per cent to 100 per cent was observed between the budgeted and actuals of 07 items of revenue in the year under review.

4.2 Unanswered Audit Queries

An audit query issued to the Sabha on 08 January 2018 had not been replied even up to 08 June 2018.

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.

<u>System</u>	<u>Deficiency</u>
(a) Revenue Management	(i) Failure to recover rates by identifying the developed areas. (ii) Failure to recover the revenue in arrears.
(b) Fixed Assets	(i) Failure to assess properly. (ii) Failure to verify the ownership.
(c) Internal Control	(i) Failure to carry out internal audits and furnish the reports. (ii) Failure to conduct the meetings of the Audit and Management Committee.
(d) Debtors and Creditors	(i) Failure to prepare the schedules. (ii) Failure prepare the age analyses.
(e) Planning	Failure to prepare an Action Plan and a Procurement Plan annually.