

**Laggala Pallegama Pradeshiya Sabha**  
**Mathale District**

**1. Financial Statements**  
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**1.1 Presentation of Financial Statements**  
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Financial Statements for the year 2017, had been presented to audit on 29 May 2018 and the Auditor General's Report on the financial statement had been sent to the Chairman on 31 July 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 gave a true and fair view of the financial position of the Laggala Pallegama 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**  
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**1.3.1 Accounting Deficiencies**  
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The following accounting deficiencies were observed in audit.

- a) There was a deference of Rs. 4,093,098 between the total of fixed assets and the revenue contribution to capital outlay account.
- b) Inventory items valued at Rs. 62,545 purchased during the year under review had not been taken in to account thus the assets had been understated by the same amount.
- c) Over payment of salaries of employees made in the year 2014 amounting to Rs. 23,771 had been recovered during the year under review and credited to the revenue debtors account thus the balance of revenue debtors had been understated.
- d) Actions had not been taken to assessed two motor bicycles belong to the Sabha and taken in to accounts.
- e) Buildings constructed during the year under review and prior years valued at Rs. 4,115,526 had not been identified as fixed assets and taken in to accounts.
- f) Ou of the value of Rs. 800,000 agreed in the year 2016 for improvement of infrastructure facilities of Pitawala Samanala playground, a sum of Rs. 724,540 had been received from the Department of Local Government in the year 2017. However the debtors had been shown as Rs. 800,000 thus the debtors had been overstated by Rs. 724,540.
- g) The total value of Rs. 115,070 relating to two bank current accounts belonged to the Sabha as at the end of the year under review had been omitted from the accounts.
- h) Actions had not been taken to calculate the value of stationary stock remained in the stores at the end of the year under review and to include in the financial statements.

### **1.3.2 Unreconciled Accounts**

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The following observations are made

- a) There were differences between the balances relating to 9 accounts items aggregating Rs. 40,784,417 shown in the financial statements and relevant subsidiary records and registers and the total of the differences was Rs. 3,854,651.
- b) Differences between 4 opening balances as at the beginning of the year under review shown in the accounts and schedules as at the date was Rs. 262,825.
- c) Difference between the sources of revenue mentioned in the other revenue register and the value taken in to accounts was Rs. 86,307.

### **1.3.3 Suspense Accounts**

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The opening balance of the suspense account was Rs. 1,836,420 and that balance had been taken as the final balance. A sum of Rs. 1,719,801 had been shown in the trial balance and the balance sheet as the balance of the suspense account, thus a difference of Rs. 116,619 had been shown between the ledger account and the balance sheet.

### **1.3.4 Accounts Receivable and payable**

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#### a) Accounts Receivable

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- (i) Actions had not been taken to settle the balances of 3 receivable accounts amounting to Rs. 160,724 which had been brought forward without being changed in the financial statements over a long period of time even in the year under review.
- (ii) A sum of Rs. 181,426 should be recovered as at the end of the year under review as tractor hire charges.

#### b) Accounts Payable

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The total of 4 payable account balances as at the end of the year under review was Rs. 2,088,919 and actions had not been taken to settle those balances which had been brought forward over a long period of time, even up to the year under review.

### **1.3.5 Lack of written Evidence to Audit**

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Six items of accounts aggregating Rs. 9,882,171 could not be satisfactorily verified due to non-availability of necessary information.

### 1.3.6 Non Compliances

#### Non-compliances 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
a) Section 24 of the Pradeshiya Sabha Act No.15 of 1987	Actions had not been taken to gazette the roads constructed by the Sabha
b) 1988 Pradeshiya Sabha Rules (Financial and Administration)	
I. Rule 196 and 197	The Secretary had not checked and signed the consumable stores item register at the end of each month.
II. Rule No. 202	Although the balance should be brought forward to the new year after balancing inventory book, consumable goods register and the stock book at the end of each year, some items of water and electric equipment register had not been balanced and brought forward.
III. Rule No. 214	Board of Surveys relating to the year under review had not been carried out.
IV. Rule No. 217	A register as per the P.S 46 format had not been maintained up to the date relating to lands and buildings using by the Sabha and belonged to the Sabha.
c) Financial Regulations 371 (2) of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken to settle the advances amounting to Rs. 137,696 issued to 6 officers in 4 instances in the year 2015 and 2016 even up to the end of the year under review.
d) Public Administration Circular No. 9/2009 dated 16 April 2009.	Although the arrival and the departure should be confirmed by finger print machines, in all government institutions, action had not been taken accordingly.

### **1.3.7 Transactions not Supported by an Adequate Authority**

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According to the Rule 103,106 of Pradeshiya Sabha 1988 (Finance and Administration) when certifying voucher for payment of any service, relevant confirmations should be furnished. However a sum of Rs. 14,969 had been paid as traveling and subsistence for participation of various training programmes by the Secretary to the Pradeshiya Sabha without submitting attendance certifications to prove the participation. However evidence had not been made available to confirm the participation of those activities.

## **2. Financial Review**

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### **2.1 Financial Result**

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According to the financial statements presented, the revenue of the sabha for the year ended 31 December 2017 in excess of , the recurrent expenditure was Rs.74,906 whilst the corresponding revenue in excess of recurrent expenditure of the previous year was Rs.2,409,840.

### **2.2 Financial Control**

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The following observations are made

- a) Actions had not been taken to obtain the renewal certificates for 2 fix deposits amounting to Rs. 1,000,000 which was being conducted in Laggala Regional Development Bank since the year 2016.
- b) The total sum of Rs. 115,070 relating to two current accounts conducted in the Peoples Bank had been omitted in the accounts and those accounts had been dormant since the year 2012.

### **2.3 Revenue Administration**

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#### **2.3.1 Estimated Revenue, Bill amount of Revenue, collected Revenue and Outstanding Revenue**

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Details relating to the estimated revenue bill amount of revenue collected revenue and outstanding revenue presented for the year under review and the previous year are given below.

Source of Income	2017				2016			
	Estimated Revenue	Bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate and Taxes	220,520	90,000	25,300	132,320	500	2,611	-	69,360
Rent	47,600	99,100	79,300	36,200	115,600	106,100	69,960	36,140
Licences Fees	837,000	342,100	342,100	-	715,500	502,265	502,065	-
Other Revenue	3,512,000	2,276,084	1,476,084	800,000	2,785,000	3,013,962	2,211,522	802,440
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	4,617,120	2,807,284	1,922,78	968,520	3,616,600	3,624,938	2,783,47	907,940
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### 2.3.2 Performance of collecting Revenue

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Amount of other income of Rs. 6,450,849 for the year 2016 had decreased up to Rs. 4,405,128 by Rs. 2,045,721 representing 46 per cent during the year under review due to actions not being taken to increase the income by the Sabha.

### 2.3.3 Acreage Taxes

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The outstanding balance of acreage taxes brought forward or more than 5 years was Rs. 65,435.

### 2.3.4 Rent

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A sum of Rs. 126,510 should be recovered as at the end of the year under review as outstanding stall rent and house rent.

### 2.3.5 License Fees

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The bill amount of revenue could not be ascertained properly because a survey relating to trade license had not been carried out for the year under review.

### 2.3.6 Other Revenue

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The following observations were made

- a) Although a sum of Rs. 446,132 had been remained as outstanding water charges as at the end of the year under review, differences were observed according to the relevant schedules thus the accuracy of billing could not be ascertained.

- b) Actions had not been taken to recover a balance of Rs. 231,897 as mentioned as the receivable water connection fees during a period of few years.

### **2.3.7 Court Fines and Stamp Fees**

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The receivable amount of Court Fines and Stamp Fees from the chief secretary to the provincial council and other authorities as at 31 December of the year under review was Rs.5,510,682.

## **3. Operating Review**

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### **3.1 Performance**

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The following observations are made in respect of duties which should be fulfilled by the sabha relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare.

- a) **By Laws**

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Although actions had been taken to enact by laws to fulfil 17 key functions under the section 126 of the pradeshiya sabha Act, the rest 15 by laws had not been enacted even up to 31 December 2017.

- b) **Action Plan**

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An annual action plan had not been prepared relating to duties which should be full filled by the Sabha according to the by laws enacted.

- c) **Solid Waste Management**

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The following observations are made

- i. Although a sum of Rs. 1,007,677 had been spent for disposal and management of solid waste during the year under review, waste was being disposed daily to a government land without managing properly.
- ii. Polythene waste had been buried without selecting or separating daily collected garbage. Actions had not been taken by the Sabha to pay attention for a long term waste management project such as manufacturing compost using degradable waste and recycling the garbage which was no degrade.

### **3.2 Human Resources Management**

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The following observations are made

a) **Vacancies and Surplus of Employees**

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There were 22 vacancies of the Sabha as at 31 December during the year under review and out of those 22 vacancies, 13 were in the secondary level.

b) Although a period over than 3 years was lapsed, efficiency bar examination had not been held for 11 employees appointed on 24 October 2014 and 01 October 2014. As a result actions could not be taken to permanent those employees.

### **3.3 Operating Inefficiencies**

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Recovering charges on construction of buildings

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It had been reported that there were 1600 resettled families in the Moragahakanda Project and actions had not been taken to recover charges for approving building plans for the year 2016 and 2017 in respect of resettled families. As a result a loss of gross revenue of Rs. 7,600,000 had been occurred to the Sabha.

### **3.4 Asset Management**

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#### **3.4.1 Assets not being documented**

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Lands, buildings, vehicles and plant and machinery belonged to the Sabha had no been documented.

#### **3.4.2 Revenue receivable from assets not being obtained.**

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Although the Laggala Pallegama weekly fair building constructed at agreed amount of Rs. 26,888,432 under the Puranaguma project had been handed over to the Sabha properly on 1 December 2016, actions had not been taken even up to 31 December 2017 to assess the building and use to trade activities by following tender procedure.

#### **3.4.3 Assets not Transferred**

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The following observations are made

a) Actions had not been taken to transfer the ownership of the Pradeshiya Sabha office building which had been received from the Mahaweli Development Authority

- b) Actions had not been taken to transfer the ownership to the Pradeshiya Sabha relating to 51 lands in which cemeteries, public libraries and community halls using by the Sabha were located.
- c) Ownership of 4 vehicles using by the pradeshiya Sabha had not been transferred to the Sabha.

#### **3.4.4 Idle/Underutilized Assets**

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A mini Kubota tractor owned by the Sabha had been remined idle over three years.

#### **3.4.5 Annual Board of Survey / Stock Verification**

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A board of survey had not been carried out or the year under review.

#### **3.4.6 Vehicle Utilization**

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The following observations are made

- a) Actions had not been taken to test the fuel consumption of 9 vehicles belonged to the pradeshiya Sabha after the year 2015 as per the Circular of the Secretary to the Ministry of Public Administration and Management No. 30/2016 dated 29 December 2016.
- b) Actions had not been taken to repair the inactive milo meter of a tipper belonged to the Sabha

#### **3.5 Uneconomic Transactions**

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A sum of Rs. 3,231 had to be paid as fines due to non- obtaining of insurance license on due dates for 5 vehicles.

#### **3.6 Procurement**

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##### **3.6.1 Procurement Plan**

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According to 4.2.1 of the Government Procurement Guideline 2006 a procurement plan had not been prepared by the Sabha whilst purchasing's of Rs. 4,750,739 had been made during the year under review without a procurement plan.

##### **3.6.2 Contract Administration**

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The following observations were made

Improvement of Infrastructure Facilities of Pitawala Samanala Playground

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Contract had been awarded to the Mada-ala Samurdhi Society at Rs. 800,000 under the Capital Programme for Improvement of Infrastructure Facilities of Local Government Institutions and completed on 30 October 2016. The following observations are made in this regard.



- i. According to work item No. 11 of the work completion report, a sum of Rs. 13,544, had been paid for fixing 2 ceramic wash basins and waste water line thereon. However the relevant work had not been completed.
- ii. The doors fixed under the work item No.14 had not been properly fixed and the locks were not to the standard. A sum of Rs. 29,789 had been paid thereon.
- iii. The gate fixed under the work item No.20 had broken and a sum of Rs. 12,000 had been paid in this regard.
- iv. Trees shown in the item 6 of the work item 21 had not been planted as possible as to identify and a sum of Rs. 24,000 had been paid in this regard.

#### **4. Accountability and Good Governness**

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##### **4.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 29 May 2018 whilst the financial statements for the previous year had been presented on 21 April 2017.

##### **4.2 Budgetary Control**

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Considerable variations were observed between the budgeted and actual expenditure even after transferring provisions between revenue and expenditure during the year under review thus the budget had not been made used of effective instrument of management control. The following observations are made in this regard.

- a) There were variations in a range from 10 per cent to 400 per cent between the estimated revenue and the actual revenue.
- b) Any expense had not been incurred out of the provisions of Rs. 508,050 made for 2 expenditure items.
- c) There were variations in a range from 10 per cent to 100 per cent between the ne provision and actual expenditure relating to 69 work items.

##### **4.3 Internal Audit**

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Although an internal audit unit had been established as per the rule 5 (7) of 1988 Pradeshiya Sabha (Finance and Administration), any internal audit report had not been issued.

##### **4.4 Audit and Management Committees**

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Although 4 audit and Management committees should be held annually according to the letter of the Circular of the Chief Secretary to the Minister of Central Province No.CPC/CMS/10/06/ dated 01 August 2014, only 01 committee had been held during the year 2016.

#### 4.5 Unresolved Observations and Non- replied audit quarries

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Replies for 2 audit quarries issued had not been received.

#### 5. Systems and Controls

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Defficiencies observed in the course of audit were brought to the notice of the Sabha from time to time and Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
a) Accounting	Necessary registers not being prepared for annual accounts.
b) Assets/Properties	<ul style="list-style-type: none"><li>i. Land and buildings, vehicles, plant and machinery, office equipment and furniture not being recorded.</li><li>ii. Ownership and security in respect of land and buildings not being confirmed.</li></ul>
c) Stocks	<ul style="list-style-type: none"><li>i. A proper stocks control not being operated relating to the process of the stores for receiving and issuing goods and a procedure for taking over the returned goods which could not be used to the stores.</li><li>ii. Stock registers not being updated properly.</li></ul>
d) Debtors/Creditors	<ul style="list-style-type: none"><li>i. Shedules not being prepared as possible as to identify the balances of debtors and creditors.</li><li>ii. Age analysis not being prepared for the balances brought forward in the accounts relating to sundry debtors, sundry creditors and revenue debtors.</li></ul>
e) Staff Management	Vacancies of 22 posts of the staff as at the end of the year under review not being filled.