

**Palagala Pradeshiya Sabha
Anuradhapura District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit 29March2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 12 June 2019 and the detailed management audit report had been submitted on 12 July 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the PalagalaPradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles

1.3. Basis for the Qualified Opinion

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(i)	The value of the construction of the tank and side wall worth Rs. 1,335,843 in respect of the drinking water project had not been brought to account.	Fixed assets must be properly identified and accounted for.	Accepted. Action will be taken to disclose them in the future
(ii)	The value of the Industrial creditors as at the end of the year under review included the balances payable in respect of the unimplemented projects worth Rs. 869,950 relating to the period from 2010 to 2016.	These balances should be properly accounted for.	Action will be taken to settle them in the future.
(iii)	Machinery and equipment worth Rs. 128,100 purchased during the year under review for vehicle	Fixed assets should be properly identified and accounted for.	Accepted Action will be taken to include them as fixed assets

maintenance had not been accounted for as fixed assets.

in the future.

- (iv) The value of the employee's security deposit amounting to Rs. 81,708 had not been accounted for.

Employees' security deposit liabilities should be disclosed in the financial statements.

Employees' security deposit is an employee's asset and is not a assets or liability of the Pradeshiya Sabha and as shuch, action was not taken to include it in the accounts of the Pradeshiya Sabha.

- (b) Receivable and Payable Accounts

Audit Observation

Recommendation

Comments of the Accounting Officer

The amount of Rs. 63,600 to be paid by two persons for the rental of the Motor Grader and Compactor Machine in 2017 was not recovered as at 31 December of the year under review.

Action should be taken to recover the balance due.

Although notifications were sent through the letters to collect the amounts due for the rental of the motor grader and the compactor machine, they have not been recovered and action will be taken to recover them in the future.

- (c) Lack of Necessary Documentary Evidence for Audit.

Audit Observation

Recommendation

Comments of the
Accounting Officer

As the documents confirming the ownership of an item of account value of Rs. 61,257,990. had not been Produce, they could not be satisfactorily verified in the audit.

Necessary written evidence should be provided.

Not replied.

1.4 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	Recommendation	Comments of the Accounting Officer
(a). Public Administration Circular No. 30/2016 dated 29 December 2016	According to the circular no fuel combustion tests have been carried out regarding the 15 running vehicles.	Action should be taken in accordance with the circular.	Steps will be taken to conduct a fuel combustion test on vehicles belonging to the Sabha in the future.
(b). Public Administration Circular No.09/2009 dated 16th April 2009	No finger scanners had been used to confirm arrival and departure.	Action should be taken in accordance with the circular.	Action will be taken to install a finger scanner to record the arrival and departure.
(क) Treasury Circular No. IAI / 2002/2 dated 28 November 2002	No separate register regarding computers and computer accessories had been maintained as per the circular.	Action should be taken in accordance with the circular.	A computer related register is being maintained and arrangements will be made to reformat it according to circulars.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 5,870,343 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 8,466,979 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,180,000	1,439,560	1,439,560	67,600	1,002,000	1,187,026	1,187,026	67,600
Rents	2,192,000	1,750,830	1,880,496	63,600	1,933,000	1,659,825	1,564,159	193,266
Licence Fees	310,500	342,430	342,430	-	400,500	284,303	284,303	-
Other Revenue	6,902,300	8,836,092	15,592,296	9,245,012	4,802,300	10,756,639	3,434,977	16,001,216
Total	10,584,800	12,368,912	19,254,782	9,376,212	8,137,800	13,887,793	6,470,465	16,262,082

2.2.2 Rates and Taxex

Audit Observation

Arrears of rent of Rs. 67,600 existed from the beginning of the year under review had not been recovered.

Recommendation

Action should be taken to recover arrears of rent.

Comments of the Accounting Officer

These arrears of rent are old arrears and action will be taken to settle them in due course.

2.2.3 Court Fines and Stamp Duty

Audit Observation

The court fines that were due as of December 31 of the year under review were Rs. 8,237,682 and the stamp duty was Rs.1,007,330.

Recommendation

Action should be taken to settle the stamp duty and court fines.

Comments of the Accounting Officer

Action has been taken to recover all the fines and stamp duties.

03. 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 to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) By-laws

Audit Observation

By-laws had not been enacted for the purpose of fulfillment of 28 main matters under section 126 of the PradeshiyaSabha act.

Recommendation

Action should be taken to enact by-laws.

Comments of the Accounting Officer

Not replied

(b) Solid Waste Management

Audit Observation

The garbage collected in the PalagalaPradeshiyaSabha area had been dumped into a Mahaweli land in the Hinguruwelpitiya area and the area in the Balaluwewa reserve without being segregated.

Recommendation

Action should be taken in accordance with the National Environmental Act No. 47 of 1980

Comments of the Accounting Officer

The garbage collected in the PalagalaPradeshiyaSabha area is disposed to the Hinguruwelpitiya and Balaluwewa areas and arrangements will be made to segregate them before disposing of.

(c) Environmental Issues

Audit Observation

According to the Extraordinary Gazette Notification No. 2034/36 dated 01 September 2017, the garbage containing plastic should not be burned outdoors, but all the garbage collected by the council had been burned from time to time at two locations.

Recommendation

Action should be taken as per the Gazette Extraordinary.

Comments of the Accounting Officer.

Steps will be taken to reduce plastic waste through a waste management project.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer.
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The Sabha was unaware of the United Nations 2030 Agenda on Sustainable Development Goals	These objectives and targets should be identified and necessary action should be taken according to the circular instructions to implement them.	Allocations will be made from the Budget for the Sustainable Development Goals of the United Nations to protect the environment, improve health and hygiene, and develop regional infrastructure, and arrangements have been made to achieve those objectives..

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer.
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(a) Revenue licences have not been obtained for 15 vehicles owned by the council	Revenue licences should be obtained.	Steps have been taken to obtain all necessary revenue licenses for vehicles
(b) Five vehicles owned by the council had not been insured.	Insurance certificates should be obtained by the due date.	Steps have been taken to obtain all insurance certificates for vehicles.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) There were 08 vacancies in 07 posts of the Sabha, whereas the Management had not taken steps to fill those vacancies.	Vacancies should be filled and thereby financial operating efficiency should be increased	A report on the existing vacancies is referred to the Local Government Department once in three month and as a result of those vacancies daily performance of the Sabha has been affected.

- (b) The Sabha had not taken steps to recover the employees loan of Rs.305,790 due from four officers of the Sabha. Action should be taken to recover the relevant employees' loan. Not submitted.

3.4 Assets Management

3.4.1 Failure to document assets

Audit Observation	Recommendation	Comments of the Accounting Officer
The L200 cab retained in the premises of the Sabha had not been identified and accounted for.	Assets should be identified and brought to account.	Not submitted.

3.4.2 Assets that had not been transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Action had not been taken to take over the ownership of 07 motor vehicles worth Rs.16, 304,603 of the Sabha and 02 trailers the value of which cannot be identified.	Action should be taken to take over the ownership of the assets.	Not submitted.
(b) Two tractor trailers and two water bowsers of the Sabha worth Rs.490,000 had been run without being registered.	Those vehicles should be registered and used for running.	Not submitted.

3.4.3 Idle/Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A building of the Sabha worth Rs.1,542,228 and 03 buildings of which the value could not be recognized had remained idle.	Action should be taken to use these assets in effective purpose.	Not submitted.

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|-----|---|---|----------------|
| (b) | The tractor bearing No. NCRD – 9442 belonging to the Sabha remained idle while being used in running only for 1.5 meter hours during the year under review. | Action should be taken to use this assets in effective purpose. | Not submitted. |
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4. Accountability and Good Governance

Implementation of Audit and Management Committees

Audit Observation

Recommendation

Comments of the
Accounting Officer

In terms of Management and Audit Committee Circular No.DMA/2009(1)(i) dated 28 January 2016, no Audit and Management Committees had been conducted.

Action should be taken in accordance with the circular.

Not submitted.