

**Rajanganaya 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 29 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 14 June 2019 and the detailed management audit report had been submitted on 14 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 Rajanganaya Pradeshiya 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 Qualified Opinion

(a) Accountin Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) Since the value of Baco Loader and water bowser (Water Tank Truck) amounting to Rs. 27,433,434 had been stated as Rs. 25,879,253 in the financial statements, a sum of Rs. 1,554,181 had been understated.	The correct value should be accounted for.	Action will be taken to account for this in the year 2019.
(ii) Value of the construction waste yard building amounting to Rs. 4,867,675 had been stated as Rs. 4,602,913 in the financial statements. Accordingly, a sum of Rs. 264,762 had been understated.	The correct value should be accounted for.	Accepted.
(iii) Since court fine revenue of Rs. 2,834,663 had been stated as Rs.	The revenue should be properly identified and	Accepted.

	3,564,664 in the financial statements, a sum of Rs. 730,001 had been overstated.	accounted for.	
(iv)	No provisions had been made for audit fees for the year under review	Provision should be made for audit fees.	Accepted.
(v)	Stamp Duty of Rs. 930,000 had not been accounted for in the year under review. Since the stamp duty income amounting to Rs. 1,257,697 receivable as at 31 December for the period from 2013 to 2017 had been stated as Rs. 926,572, the total had been understated by Rs. 1,261,125.	Accounts should be correctly maintained.	Accepted.
(b)	Unreconciled Accounts ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i)	Sixty two items of the five categories included in the Board of Survey Report as at 31 December of the year under review had not been included in the financial statements under the assets.	Action should be taken to reconcile the relevant difference of the balances and correct the accounts.	Accepted.
(ii)	According to the documents as at 31 December of the year under review, the value of 02 revenue items and an outstanding revenue account amounting to Rs. 6,580,545 had been stated as Rs. 9,446,279 in the financial statements. Accordingly, a difference of Rs. 2,865,734 was observed.	Action should be taken to reconcile the relevant difference of the balances and correct the accounts,	Accepted.

(d) Accounts Receivable and Payable

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(i) Eight receivable accounts balances of Rs. 2,400,721 over 03 years and continued to exist in the financial statements had not been recovered.	Action should be taken to identify the receivable balances and settle them.	It is not possible to verify from whom these 08 accounts receivable are due.
(ii) Seven payable account balances of Rs. 2,656,900 that had continued to exist in the financial statements over a number of years had not been settled,	Action should be taken to identify the payable balances and settle them.	Out of these seven balances, stamp duty and unpaid pension and pension benefits gratuities were inquired from the relevant sections and recorded to be paid and the expenditure creditors, entertainment tax, advance to officer, miscellaneous deposits, and water deposits cannot be identified.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Since Register of Asset, Age Analysis, Board of Survey Reports and detailed schedules were not submitted for the 09 items of account worth Rs. 134,935,236, they could not be satisfactorily verified in the audit.	Necessary documents to confirm the matter should be presented.	Accepted.

1.4 Non-compliance

 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Finance & Administration) Rules, 1988			
i Rule 59	A survey on business and industry taxes in the Sabha area had not been conducted and reported to the Secretary.	Action should be taken in accordance with the Rule.	Accepted. I acknowledge that although a survey has been conducted, no separate document has been prepared. A separate document has been prepared for 2019.
ii Rules 2017 and 2018	No document had been maintained in terms of P.S. Form 46 regarding the lands and buildings belonging to the Sabha, and all land and buildings had not been inspected once in year.	Action should be taken in accordance with the Rules.	Accepted Instructions will be followed from the year 2019.

(b) Public Administration and Management Circulars

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| i. | Public Administration Circular No. 30/2016 dated 29 December 2016 | Fuel combustion testing was not carried out on 13 vehicles owned by the council. | Action should be taken in accordance with the circular. | Steps will be taken thereon from the year 2019 |
| ii. | Public Administration Circular No. 09/2009 (I) dated 17 June 2009 of the Secretary to the Ministry of Public Administration and Home Affairs | Payment for overtime and holiday pay should be calculated according to the number of hours indicated in the finger scanner, but it had not been so done. | Action should be taken in accordance with the circular. | Accepted. It was not implemented until June 2019. It was noted down to make necessary arrangements to be implement it next year |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the recurrent expenditure of the Sabha in excess of the revenue amounted to Rs. 8,296,376 for the year ended 31 December 2018 as against the revenue in excess of the recurrent expenditure amounting to Rs. 9,779,625 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	2,409,400	1,558,592	1,558,592	-	868,000	1,221,637	1,221,637	-
Rents	3,648,200	7,272,191	7,190,991	120,750	4,049,000	5,397,395	5,357,845	39,550
Licence Fees	966,100	144,480	144,480	220,425	140,000	177,935	-	220,425
Other Revenue	26,245,874	20,268,346	31,831,684	4,251,309	23,763,280	29,144,214	13,329,567	15,814,647
Total	33,269,574	29,243,609	40,725,747	4,592,484	28,820,280	35,941,182	19,909,049	16,074,622

2.2.2 Rates and Taxes

Audit Observation

In terms of section 134 (i) of the Pradeshiya Sabha Act no 15 of 1987, no action has been taken to identify the developed areas of the Pradeshiya Sabha and collect the assessment tax.

Recommendation

Action should be taken in accordance with the Act.

Comments of the Accounting Officer

Accepted.
Necessary steps to impose rates and taxes are in progress.

2.2.3 Court Fines and Stamp Duty

(a) Court Fines

Audit Observation

Receivable court fine revenue amounted to rs. 3,324,736

Recommendation

Action should be taken to recover the court fines.

Comments of the Accounting Officer

Action has been taken to recover the court fines by now.

(b) Stamp Fees

Audit Observation

Receivable stamp duty revenue amounting to Rs. 2,341,550 had not been recovered.

Recommendation

Action should be taken to recover tax revenue.

Comments of the Accounting Officer

The stamp duty balance has been settled at present and only Rs.1,587,500 is yet to be recovered. Action is being taken to recover that money.

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	Recommendation	Comments of the Accounting Officer
By-laws had not been enacted in terms of Section 126 of the Pradeshiya Sabha Act to fulfill 28 main activities	By-laws should be enacted in terms of Act.	Ten by-laws have been enacted. The remaining by-laws will be enacted in the future.

(b). Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
The Sabha was unaware of the United Nations 2030 Agenda on Sustainable Development Goals	Action should be taken in accordance with the Sustainable Development Agenda.	Accepted. The 2030 Agenda on Sustainable Development Goals is currently being studied.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Ninety nine journal entries valued at Rs. 376,590,580 for the year under review had been accounted for without approval. Accordingly, the officers responsible for the accounting activities had not properly supervised the matter.	Journal entries must be approved under proper supervision.	It was noted down to correct it and carry out supervision from the year 2019.

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| (b) | Stamp duty amounting to Rs. 1,248,383 recovered over a number of years had not been remitted to the Commissioner General of Inland Revenue. | Stamp duty should be remitted to the Inland Revenue Department. | As this balance cannot be identified, an appropriate action will be taken in this connection according to the instructions of the Department of Local Government. |
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3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) There were eight vacant posts in the Sabha and there were only 1 excess post as at 31 December of the year under review.	Steps should be taken to fill the staff vacancies and appoint qualified officers to the relevant post to enhance the operational efficiency of the institution.	Accepted. Details have been sent to the Commissioner of Local Government and the Public Service Commission.
(b) Loan balance of Rs. 973,017 had to be recovered from 5 transferred officers, 5 dead and retired officers and 3 other suspended officers and 03 other officers.	The Sabha should take steps to recover the loan balances.	Monthly loans are being recovered from those who have been transferred and the balance of others have been in existence for several years. Accordingly, action will be taken to write off that balance by obtaining a Sabha approval through the Commissioner of Local Government.

3.4 Assets Management

3.4.1 Assets that have not been transferred

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Sabha had not taken steps to take over the ownership of 04 vehicles worth Rs. 8,910,000 which were being used by the Sabha as at 31 December of the year under review.	Action should be taken to take over the ownership to the Sabha.	Action should be taken to take over the ownership in the year 2019.

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| (b) | As at 31 December of the year under review, the Sabha had not taken over the ownership of 56 land used by the Sabha. | The ownership of the lands should be taken over and accounted for. | Action is being taken to take over the lands in the year 2019.
Already requests have been made to the Divisional Secretary to take over the ownership. |
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3.4.2 Idle/Underutilized Assets

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The Fotorn tractor worth Rs. 2,655,318 received by the Sabha in 2016 had been parked in the council premises without being used for several years.	That asset must be used in maximum capacity by attending necessary repairs.	Due to the lack of spare parts, it has not been able to be repaired yet. It is expected to use it while doing the repairs in the year 2019
(b) The Mitsubishi cab no. 53-5052, which was housed in the Sabha premises, was inactive as of December 31 of the year under review. Nevertheless, action had not been taken to repair and use this vehicle or to dispose of the same in accordance with the Public Finance Circular No. 02/2015 dated 10 July 2015.	Action should be taken in accordance with the circular.	Action will be taken to dispose of the same in the year 2019.