

Thirappane Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 01 April 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019 and 09 June 2019 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Thirappane Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principle.

(a) Accounting Deficiencies

	Audit Observation	Recommendation	Comments of the Accounting Officer
(i)	The revenue of shop rent, which had been billed in the year under review, had been Rs. 645,600. But, it had been stated as Rs.700,831 in the Income and Expenditure Account. So it had been overstated by Rs. 55,231 .	Billed revenue related to the year under review only should be entered in the Income and Expenditure Account. Documents should be maintained in the manner of identifying receipts related to the previous years and receipts related to the year separately.	Although the revenue of shop rent, which had been billed in 2018, had been Rs. 645,600, the delayed fees of Rs. 55,231, charged for the arrears shop rents in the previous years had also been entered in this account.
(ii)	Provisions had not been provided for the audit fees in the year under review.	Provisions should be allocated for the audit fees related to the year.	Amount of Rs. 100,000 has been allocated from the budget document for audit fees for the year under review.
(iii)	Stamp duty revenue had not been calculated and brought to account in the year under review.	The revenue to be charged should be identified following the making of inquiries from the relevant institutions and	The stamp fee to be charged for the year under review is calculated and informed to the Sabha by the Registrar's

revenue related to the year should be brought to account.

Department in the following year. That financial value had not been received at the time of completing the preparation of financial statements by 31.03.2018.

(b) **Unreconciled Accounts**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Since 2 account balances amounting Rs. 39,040,932 stated in the financial statements as at 31 December in the year under review had been stated as Rs. 39,040,989 in schedules and reports, two values differed by Rs. 60,049.	Action should be taken to reconcile differences in the relevant balances and to rectify the accounts.	The difference in the calculations shown is due to an error in computerization.
(ii) Since the value of motor vehicles and carts stated as Rs. 3,584,700 in the fixed asset register of the Pradeshiya Sabha, had been stated as Rs. 11,437,366 in the balance sheet in the year under review, two values differed by Rs. 10,066,526.	Action should be taken to reconcile differences in the relevant balances and to rectify the accounts.	I will rectify the mistakes from the financial statements prepared as at 31 December 2019 after confirming the correct information related to the values shown in the fixed asset register.
(iii) Although the revenue earned by lending the vehicles had been stated as Rs. 934,861 in the relevant account as at 31 December in the year under review, this revenue had been stated as Rs. 246,000 as per the revenue schedules. Therefore two values differed by Rs. 688,861.	Action should be taken to reconcile differences in the relevant balances and to rectify the accounts.	Officers in charge of subjects were instructed to update the revenue earned by the vehicles.

(c) **Accounts Receivable and Payable**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Although 07 receivable account balances totaling Rs. 931,791 as at 31 December in the year under review, had continued to exist from 04 to 05 years, action had not been taken to recover those balances even in the year under review.	Action should be taken to recover the balance to be received	Action will be taken to settle the balance under the supervision and guidance of the Department of Local Government for removing those balances from the financial statements.
(ii) Although 05 receivable account balances totaling Rs. 1,710,681 as at 31 December in the year under review, had continued to exist from 03 to 04 years, action had not been taken to settle those balances even in the year under review.	Action should be taken to settle the balance to be paid.	Action will be taken to settle the balance under the supervision and guidance of the Department of Local Government for removing those balances from the financial statements.

(d) **Lack written evidences for the audit**

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Since asset registers, title certificates, age analysis and detailed schedules relating to 09 account subjects amounting Rs. 71,986,857 had not been presented, it could not be satisfactorily verified in audit.	Necessary written proof shall be presented to prove the value stated in the financial statement	Action will be taken to rectify after obtaining instructions from the Department of Local Government
(ii) According to the account as at 31 December of the year under review, the revenue earned from renting vehicles had been stated as Rs.934,861. Nevertheless, the Sabhya had not maintained proper documents and records to substantiate aforesaid revenue.	Necessary written evidence should be furnished to substantiate the value stated in the financial statement.	Officers in charge of subjects were instructed to maintain the documents relating to providing of vehicles for rent in correct and proper manner.

- (iii) The information was not submitted to verify the balance of journal entries amounting Rs. 76,737,005 for the year under review. Action should be taken to record in journal entries following the obtaining of proper approval. Written evidence for the audit query has been difficult to furnish.

1.4 Non compliance

Non – Compliance with laws, Rules and regulations

Reference to Laws, Rules and Regulations	Non- Compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabha (Financial and Administrative) Rules of 1988			
(i) Rule 33	A list of people who neglect to pay the assessment and lists of property prohibition warrants had not been prepared at the end of each quarter.	Action should be taken according to the Rules.	The register is balanced at the end of each quarter. Action will be taken to recover the said balance and properties have not been banned in this Pradeshiya Sabha so far.
(ii) Rule 217 and 218	A register had not been maintained in accordance with Pradeshiya Sabha Format 46 relating to lands and buildings owned to the Sabha and action had not been taken to inspect all lands and buildings once in every year.	Action should be taken according to the Rules.	Action will be taken in future as per the relevant circulars .
(b) Financial Regulations of the Democratic	Running charts and monthly summaries of	Action should be taken according to	Drivers have been made aware after the preparation

Socialist Republic of Sri Lanka	each month relating to vehicles of the Sabha had not been submitted to the Auditor General before the 15th of the following month.	Financial Regulations.	of the running charts and monthly summary. Accordingly, reports will be submitted on due date in future.
(c) Public Administration Circular No. 30/2016 dated 29th December 2016 of the Secretary to the Ministry of Public Administration and Management	A fuel test had not been done for 07 vehicles owned to the Sabha.	Action should be taken according to the Circular.	Technical Officers have been made aware. Action will be taken to rectify in future by following the correct method .
(d) Treasury Circular IAI / 2002/02 dated November 28, 2002 of the Secretary to the Treasury	A separate fixed assets register on computer accessories and software had not been maintained.	Action should be taken according to the Circular.	Action will be taken to maintain a fixed assets register on computer accessories and software in future.

2. **Financial Review**

2.1 **Financial Results**

According to the financial Statements presented for the year ended 31 December 2018, the revenue exceeding recurrent expenditure was Rs. 928,671 and corresponding to the previous year revenue exceeding recurrent expenditure was Rs. 913,037.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue**

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears revenue furnished for the year under review and pervious year are shown below.

Source of Revenue	Estimated Revenue	2018			2017			Total arrears as at 31 December
		Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assessment Tax	1,141,878	1,147,957	1,132,622	735,092	919,058	1,033,378	313,621	719,757
Rent	4,568,450	3,245,355	3,466,439	1,392,347	4,120,800	2,756,850	1,143,419	1,613,431
License Fees	2,237,460	1,528,185	1,528,185	66,040	1,530,375	1,126,848	1,060,808	66,040
Other revenue	23,753,771	20,192,863	19,610,441	3,055,303	22,042,000	16,265,507	13,792,626	2,472,881
Total	31,701,559	26,114,360	25,737,687	5,248,782	28,612,233	21,182,583	16,310,474	4,872,109

2.2.2 Rates and Taxes

Audit Observation

Action had not been taken to charge the Assessment tax amounting Rs. 248,422 which had to be charged from 146 properties in Sabha area by 31 December 2018, in accordance with the Financial and Administration Rules 32-42.

Recommendation

Actions should be taken in accordance with Rules

Comments of the Accounting Officer

Out of the total arrears, the amount of Rs. 52,192 is the arrears to be charged from buildings of the Pradeshiya Sabha. Action will be taken to remove this money from the accounts under the instructions of the Department of Local Government with the approval of General Council.

2.2.3 Rent

Audit Observation

Action had not been taken to charge shop rent arrears amounting Rs. 1,794,360 which had to be charged as at 31 December in the year under review.

Recommendation

Action should be taken to charge the revenue arrears.

Comments of the Accounting Officer

Rs. 320,982 was charged from these arrears by 13.05.2019. Letters have been issued to the shop owners informing them to pay the remaining arrears by 31.05.2019.

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**

Audit Observation

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 been imposed relating to the execution of those functions

Recommendation

The by-laws should be enacted to ensure the efficiency of the proceedings of the Sabha.

Comments of the Accounting Officer

After the local government body has prepared and gazetted the by-laws, action will be taken to follow the by-laws.

(b). **Action Plan**

Audit Observation

Annual action plan had not been prepared.

Recommendation

Annual action plan should be prepared.

Comments of the Accounting Officer

Action will be taken to prepare in the year 2019.

(c) **Sustainable development Goals**

Audit Observation

The Sabha had not been aware of the Agenda 2030 on the Sustainable Development Goals adopted by the United Nations Organization, even in the year under review

Recommendation

Action should be taken according to the Sustainable Development Agenda 2030.

Comments of the Accounting Officer

The Sabha did not own the adequate amount of money to implement development projects under this programme and further, Sabha concerned, earned low revenue. Therefore, these development goals could not be implemented.

3.2 **Management Inefficiencies**

Audit Observation

(a) Assets owned to the Sabha and assets bought by the Sabha during the period from 2008 to 2013 amounting Rs. 71,390,690 had not been identified and

Recommendation

Action should be taken to identify the assets and their physical existence.

Comments of the Accounting Officer

Schedules cannot be found for this balance shown in old financial statements. The assets received from the Pura

the physical existence of those assets had not been disclosed.

Neguma project had only been brought to account.

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| (b) | 58 journal entries amounting Rs.214,773,794 relating to the year under review had been brought to account without any approval and accordingly, the officers responsible for the accounting activities had not properly supervised. | All journal entries should be certified and evidence relating to the certification should be presented. | Assistant Accounting Officer has been made ware to obtain the approval for journal entries in future. |
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3.3 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer

There had been 11 vacancies for employees in the Sabha by 31 December in the year under review and there had been 03 excess posts.

Action should be taken to fill the staff vacancies.

I wish to inform that the employees, who were in excess posts, had been transferred from the Provincial Public Service Commission and the Department of Local Government in the implementation of the Annual Transfers for the year 2017.

3.4 Assets Management

Assets not transferred

Audit Observation

Recommendation

Comments of the Accounting Officer

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| (a) | Action had not been taken to transferred the ownership of 03 vehicles to the Sabha . | Action should be taken to transfer the ownership of the vehicles. | Action will be taken to transfer the relevant vehicles in future. |
| (b) | 06 vehicles parked in the Sabha premises had been inactive by 31 December of the year under review and actions had not been taken to repair and use these vehicles or to discard the vehicles in terms of the Ministry of Finance Circular No. 02/2015 dated 10 July 2015 | Action should be taken to repair and use these vehicles or to discard. | After completing the board of survey activities in this year, the motorcycle and tractor belonging to the Sabha will be presented to the Technical Evaluation Committee and assessment report will be obtained. Thereafter the liquidation activities will be done. Action will be taken to repair the three-wheeler |

and plate roller following the presentation of these vehicles to the mechanical engineering supervision.

4. **Accountability and Good Governance**

Implementation of Audit and Management Committee

Audit Observation

Recommendation

Comments of the Accounting Officer

 In accordance with Audit and Management Circular No DMA/ 2009 (1)(i) dated 28 January 2016, Audit and Management Committees had not been held in the year under review.

 Action should be taken according to the Circular.

 Action will be taken to appoint an Audit and Management Committee in accordance with the Ministry of Finance Circular No. DMA/2009(1)(i).