

**Siyambalanduwa Pradehiya Sabha
Moneragala District**

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 06 March 2018, the summary report of the Auditor General relating to those financial statements on 24 May 2019 and detailed management report on 31 May 2019 were sent to the Chairman of the Sabha.

1.2 Qualified Opinion

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

1.3 Basis for the qualified opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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i. A balance of Rs.634,417 in a savings account maintained in a state bank had not been included in the statement of financial position prepared as at 31 December of the year under review.	Accounts should be prepared correctly.	While this balance is not included in the financial statements for the year 2018, the officer preparing accounts was instructed to include it in the financial statements from the year 2019 onwards.
ii. While the balance of the Demetabedda Water Project Stock Account as at 31 December of the year under review according to the ledger was Rs. 57,462, when preparing the statement of financial position as at 31 December of the year under review it had been shown as Rs. 236,493 overstating in a sum of Rs. 179,031. Due to this accounting, it was not clear in audit as to how the accounts were balanced.	Accounts should be prepared correctly.	The relevant officer was instructed to make corrections when preparing the financial statements for the year 2019.

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| <p>iii. While the capital expenditure for water services according to the general ledger was Rs. 1,278,688, that value had been shown as Rs. 1,163,867 in the statement of financial and operations overstating in a sum of Rs. 114,821.</p> | <p>Accounts should be prepared correctly.</p> | <p>The relevant officer was instructed to rectify the error through an entry.</p> |
| <p>iv. Although the Water Service Capital Assets Repairs and Maintenance Expenditure according to the General Ledger was Rs. 108,632 it had been shown as Rs. 47,422 understating in a sum of Rs. 61,210.</p> | <p>Accounts should be prepared correctly.</p> | <p>The relevant officer was instructed to rectify the error through an entry</p> |
| <p>v. Three lands valued at Rs. 1,100,000 and 47 cemeteries value of which had not been assessed belong to the Pradeshiya Sabha had not been shown in the statement of financial position.</p> | <p>Accounts should be prepared correctly.</p> | <p>The relevant officer was instructed to make entries in the register of fixed assets after obtaining temporary assessments with regard to 47 cemeteries and to include those and three lands temporary assessed, which had been omitted to in the statement of financial position.</p> |

(b) Non-reconciled Control Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
A difference of Rs. 268,380 was observed between Work Debtors and Stamp Fees balances shown in the financial statements presented for the year under review and the balances shown in the relevant registers.	Reasons for non-reconciliations should be looked into and corrections should be made accordingly.	Officers were instructed to rectify the relevant difference and maintain the registers

(c) Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Non-submission of updated General Deposits Register relevant to General Deposits balance of Rs. 5,057,253	Evidence to confirm account balances should be furnished	Officer in charge of the General Deposits Register was instructed to update the Register of General Deposits.

1.4 Noncompliance

Non-compliance with laws, rules and regulations

Reference to Laws, Rules and Regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Pradeshiya Sabha Act
No. 15 of 1987

(i) Section 126(vii) (h)	By-laws had not been imposed and fees had not been recovered from vehicle parks.	Provisions in the Act should be complied with.	Action will be taken to identify the vehicle parks in the area of authority of the Sabha and annual fees will be recovered accordingly before 31 July 2019.
(ii) Section 126(vii)(f)	A survey had not been	Provisions in the	Necessary action will be

	carried out with regard to permanent advertisement boards exhibited in the area of authority of the Sabha.	Act should be complied with.	taken by 30 June 2019 to obtain a report with regard to permanent publicity advertisement boards fixed in the area of authority of the Sabha and to recover fees relevant to those.
(iii) Section 147(i)	A survey had not been carried out with regard to hotels and lodging houses registered in the Sri Lanka Tourists Board or approved by that Board and located in the area of authority of the Sabha.	Provisions in the Act should be complied with.	Necessary action will be taken before 30 June 2019 to carry out a survey of hotels, restaurants and lodging houses registered in the Tourists Board and located in the area of authority of the Sabha and recover charges.
(b) Section 4 in Chapter xxiv of the Establishments Code of the Democratic, Socialist Republic of Sri Lanka.	Staff loans amounting to Rs.2,034 and Rs. 31,255 outstanding since prior to the year 2004 and coming from the year 2005 respectively had not been recovered.	Action should be taken to recover arrears of staff loans.	It has been revealed that employees having outstanding loans are deceased by now..
(c)Public Administration Circular No. 30/2016 dated 29 December 2016.	Fuel consumption had not been tested with regard to 4 vehicles belong to the Sabha.	Fuel consumption should be tested as per circular instructions.	The loan files maintained on behalf of them by the Sabha and relevant guarantors are not traceable. Therefore, action will be taken to make recoveries from officers who were in service at that time. While these vehicles fall under the category of machines, those have been referred to the mechanical engineer for fuel consumption tests

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs. 3,571,368 as compared with the excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 7,577,611.

2.2 Revenue Administration

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

Information relating to estimated revenue, billed revenue, revenue collected and arrears of revenue relevant to the year under review and the preceding year as furnished are given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total Arrears as at 31 December
	Rs.	Rs	Rs	Rs	Rs	Rs	Rs	Rs
(i) Rates and Taxes	2,000	-	-	-	2,000	-	-	-
(ii) Rent	15,145,147	9,737,317	9,851,573	38,169	15,332,710	9,668,760	9,685,385	118,775
(iii) License Fees	1,613,000	-	1,793,370	-	1,563,000	-	1,436,630	-
(iv) Other Revenue	9,394,000	6,054,351	9,562,142	2,616,201	6,675,800	5,628,125	4,956,925	2,829,763
Total	<u>26,154,147</u>	<u>15,791,668</u>	<u>21,207,085</u>	<u>2,654,370</u>	<u>23,573,510</u>	<u>15,296,885</u>	<u>16,078,940</u>	<u>2,948,538</u>

2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Out of total revenue billed during the year under review amounting to Rs. 15,791,668 a sum of Rs. 2,654,370 had not been recovered It was 17 percent of the total revenue billed.</p>	<p>Arrears of revenue should be recovered.</p>	<p>While a part out of arrears of revenue relevant to year under review has been recovered by now, letters relevant to recovery of stamp fees have been prepared and sent to the Provincial Revenue Department on 19 July 2018.</p>

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>- Action in terms of Section 134(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken to identify developed areas and to recover Rates.</p>	<p>- Developed areas should be identified from time to time and relevant course of action should be taken to recover Rates.</p>	<p>The officer were instructed identify the arrears in the Town of Siyabalanduwe, Etimale, Dobagahawel a within the area of authority of the Sabha and to commence revelent Priliminery works for recovery of Rates.</p>

2.2.4 Vehicle Renting Out Income

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 304,325 outstanding as at 31 December of the year under review on account of renting out the beckon loader and motor grader belong to the Sabha had not been recovered.	Revenue in arrears should be recovered.	While auction is being taken to collect arrears amount, a sum of Rs.25,050 has been recovered as at 17 May 2019.

2.2.5 Recovery of Water Charges Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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Arrears of Water Charges Revenue as at 31 December of the year under review was Rs.75,419.	Water Charges Revenue in Arrears should be recovered.	Out of Water Charges in arrears amounting to Rs.75,419 as at 31 December 2018 sum of Rs.63,191 has been recovered as at 30 April 2019. Necessary Notices of Arrears have been sent for recovery of arrears.

2.2.6 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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Court Fines amounting to Rs. 137,978 and Stamp Fees amounting to Rs. 5,351,017 were due to be recovered from the Uva Provincial Council as at 31	Arrears of Court Fines and Stamp Fees should be recovered.	Out of Court Fines amounting to Rs. 137,978 due as at 31 December 2018, a sum of Rs. 121,083 has been recovered vide Receipt No. 3616 dated 25 February 2019. Letters relevant to

December of the year under review.

recovery of Stamp Fees in arrears have been prepared and sent to the Provincial Revenue Department.

2.3 Surcharges

Audit Observation

Recommendation

Comments of the Accounting Officer

A sum of Rs. 220,017 was outstanding to be recovered as at 31 December of the year under review as surcharges imposed by me against parties responsible during past years in terms of provisions in the Pradeshiya Sabha Act.

Outstanding surcharges should be recovered.

A part out of these arrears has been recovered by now. Action will be taken to recover the balance surcharged amount.

3. Operating Review

3.1 Performance

Matters revealed with regard to fulfilling regulation and control and administration of public health, public utility services and public thoroughfares, generally with the protection and promotion of the comfort, convenience and welfare of the people and amenities by the Sabha under Section 3 of the Pradeshiya Sabha Act are shown below

(a) **Action Plan**

Audit Observation

Recommendation

Comments of the Accounting Officer

An action plan had not been prepared for the year under review

An action plan should be prepared for the year 2019

While action plan for the year 2018 has not been finalized, subject clerks were instructed to prepare the action plan for the instructed to year 2019.

(b) Sustainable Development Targets

Audit Observation	Recommendation	Comments of the Accounting Officer
Although the Sabha was aware of the “Sustainable Development Goals Agenda - 2030 of the United Nations’ indexes for measuring objectives and targets that could be applied to the Sabha had not been identified.	Indexes for measuring sustainable development objectives and targets should be identified and progress relating to reaching annual targets should be measured accordingly	Action will be taken soon to identify the relevant indexes through the annual action plan and procurement plans in order to measure sustainable developments targets and objectives through the annual budgets from the year 2020 onwards.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Ten trade stalls in the premises of the Siyambalanduwa weekly fair handed over to the Pradeshiya Sabha on 05 June 2017 had not been leased out even up to the end of the year under review.	Action should be taken to lease out trade stalls.	It was observed that public demand for these stalls were slow and accordingly action has been taken to obtain bids again on the basis of a Sabha decision received to reduce the minimum bid by 10 percent of the assessed amount.
(b) A sum of Rs.115,850 due from 42 removed trade stalls owned by the Sabha had not been recovered even up to the end of the year under review.	Trade Stalls Rent in arrears should be recovered soon.	While individual trade stall holders have been informed in writing that defaulting payment of arrears lease rent would lead to taking legal action reminders will be sent soon to recover those amounts.
(c) Although idle assets should be cleared before 10 October 2015 according to paragraph 04 in Public Finance Circular No. 02/2015 dated 10 July 2015, action had not been as per circular	Action should be taken as per circular instructions.	Tenders have been called for auctioning the properties by the Provincial Machinery Director.

instructions with regard to 03 tractors and 03 trailers belong to the Sabha and not in use since the year 2012.

(d)	Environment Protection Licenses had not been given having taken relevant action with regard to 123 business entities carrying on and liable to obtain environment Protection Licenses, in the area of authority of the Sabha	These businesses should be inspected and environment protection licenses should be issued after recovering specific fees.	Most of these businesses are not functioning at present, while awareness has been created to take required action to issue licenses to other businesses.
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3.3 Human Resources Management

Staff Vacancies

Audit Observation	Recommendation	Comments of the Accounting Officer
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According to the approved cadre, there were 7 vacancies relevant to 5 posts as at 31 December of the year under review.	Vacancies in the cadre should be filled.	Requests have been made to Commissioner of Local Government to fill these vacancies.

3.4 Assets Management

3.4.1 Non-transfer of Vehicles Ownership

Audit Observation	Recommendation	Comments of the Accounting Officer
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Legal ownership of 02 vehicles used by the Sabha had not been transferred to the Sabha.	Ownership of vehicles belongs to Sabha should be transferred to the Sabha.	Documents required for transfer of vehicles have been submitted by now.

3.4.2 Payment of fines due to failure in obtaining Revenue Licenses on the due dates

Audit Observation	Recommendation	Comments of the Accounting Officer
Fines amounting to Rs. 23,155 had been paid due to non obtaining revenue licenses on the due dates relevant to 10 vehicles belong to the Sabha.	Relevant fines should be recovered from the officers responsible.	Free revenue licenses were received for the Pradeshiya Sabha. Later, the Divisional Secretariat requested to make payment for the revenue license. Due to that, fines had to be paid.

3.5 Procurements

Audit Observation	Recommendation	Comments of the Accounting Officer
Procurement Plan for the year under review had not prepared by the Sabha.	A Procurement Plan should be prepared according to the approved annual budget.	While Procurement Plan had not been prepared up to the year 2018, Procurement Plan relevant to the year 2019 has been prepared.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
According to the budget for the year under review, when estimated revenue and expenditure are compared with the actual revenue and expenditure for the year, there were variations from 14 percent to 110 percent in 8 revenue items and variations from 8 percent to 98 percent in 8 expenditure items.	Realistic budget should be prepared and targets therein should be reached.	Necessary action will be taken so that budgetary control is exercised with proper understanding with regard to revenue and expenditure to ensure that variations like these will be minimized in future years.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
An internal audit of the Sabha had not been carried out relevant to the year under review.	An internal audit should be carried out.	Officers were instructed to establish an internal audit unit within the final two quarters of the year ending 2019 and to regularize those works.

4.3 Audit and Management Committees

Audit Observation	Recommendation	Comments of the Accounting Officer
Audit and Management Committees had not been conducted in terms of Circular No. DMA/ 2009 (01) dated 9 June 2009 of the Department of Management Audit, relating to Internal Audit Guidelines.	An Audit and Management Committee should be established in the Sabha	Necessary action has been taken to establish an Audit and Management Committees and conduct Meetings in last 2 quarters of the year 2019.