

Pelmadulla Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 22 May 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 financial statements give a true and fair view of the financial position of the Pelmadulla 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 the qualified opinion

Audit Observation	Recommendation	Comment of the Accounting Officer ----
(a) Due to non-adjusting the under billing of stamp fees amounting to Rs. 3,786,571/- relevant to the year 2015 and under billing and over billing of court fines amounting to Rs. 1,717,376/- and Rs. 793,291/- respectively relevant to the previous 3 years, balance of the receivable accounts and accumulated account had been understated by similar amount.	Accounts should be corrected by making the relevant adjustments.	I will take actions to correct them when preparing future accounts.
(b) Shop rent relevant to the year under review had been under billed by amounting to Rs. 81,000/- and as such the operation revenue had been understated by similar amount.	The revenue relevant to the year under review have to be correctly identified and bring to account.	Action will be taken to correct it when preparing the final account for the year 2019.
(c) There was a difference amounting to Rs. 37,150,895/- between the balance of 03 account subjects as per the financial statements and the support documents as at the end of	The reasons for the disagreements should be identified and corrected	Documents will be checked and corrected in the future.

the year under review.

1.4 Non-compliances

Non-compliance with Laws, Rules, Regulations and Management Decisions

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to laws, rules, regulations and management decisions.	Non-compliance	Recommendations	Comment of the Accounting Officer
(a) Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation 571	Action had not been taken as per the financial regulations regarding deposits amounting to Rs. 732,322/- which were remained since 2008.	Actions need to be taken in compliance with the financial regulations.	Having checked whether there are deposits lapsed from the year 2018 and steps will be taken to credit to the revenue.
(b) Public Administration circular No. 30/2016 dated 29 December , 2016.	Fuel consumption test has not been done in respect of 06 vehicles belongs to the Sabha.	Actions need to be taken in compliance with the provisions of the circulars.	Action will be taken to do the fuel consumption test in the future.
(c) By-law bearing No. 5 (5) of Part IV (B) of Extra Ordinary Gazette bearing No. 520/7 of Democratic Socialist Republic of Sri Lanka dated 23 August, 1988.	Actions had not been taken to remove or regularize 15 unauthorized constructions identified during the previous year and the year under review.	Regarding unauthorized constructions, actions should be taken as per the referred provisions	General meeting has been informed regarding unauthorized constructions and after a site inspection by the technical officer, wish to take a judicial action.
(d) Paragraph 3 of circular bearing No. 5/10/2017 dated 11 May 2017 of the Commissioner of Local Government regarding the putting of officers for the collection of outstanding assessment taxes and	Even though the commission should be less than the warrant fee levied for the outstanding assessment taxes, an amount of Rs. 151,056/- has been paid for the	Irregular payments should be recovered.	I kindly inform that actions will be taken in the future as per the paragraph 03 of circular no. 5/10/2017 dated 11 May 2017 of the Commissioner of Local Government.

acreage taxes of local government authorities and paying commissions for the same. outstanding assessment taxes levied without surcharge /warrant since July, 2015.

- (e) Section 3.1.9 of the Procurement guideline - 2018 .
- (i). Even though the total value of contracts to be done by a society in one occasion should not exceed Rs. 2,000,000/-, contracts have been awarded to 2 societies over this limit. Actions should be taken in compliance with the procurement guidelines. Although few societies were informed regarding contracts, and since no society was willing to accept we awarded the contracts to the 2 societies which came forward.
- (ii). Even though the number of contracts accomplish by an accepted society in one occasion should be limited to 3, during the month of December, 2018, one society has been awarded 04 contracts. Actions should be taken in compliance with the procurement guidelines. As no other society came forward and if not obtain allocation for 2018 would be cancelled, we awarded the contracts to the one and only society came forward.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 amounted to Rs.52,068,200 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.42,938,198.

2.2 Financial Control

	----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a)	Actions had not been taken even at the end of the year under review in respect of money in hand, cheques and remittances without depositing in the bank totaling Rs. 586,385/- relevant to the year 2003, 2004, 2007 and 2018.	A formal inspection have to be done regarding money in hand, cheques and remittances in order to settle the matter.	As it is verified that it is impossible to obtain bank statements before 2006 relevant to the bank reconciliation statement. Approval has been received to submit to the Hon. Governor to write off the transactions relevant to that period. A letter has been sent to obtain the assistance of the officers of the Assistant Commissioner of Local Government.
(b)	Unidentified debits totaling Rs. 109,562/- relevant to the period from 1999 to 2009 had not been identified even at the end of the year under review.	Relevant transactions have to be identified and adjustments have to be made.	
(c)	Unidentified credits totaling Rs. 149,734/- relevant to the period from 1993 to 2006, which were credited to the bank has not been identified and adjustments had not made in the cash book.	Relevant transactions have to be identified and adjustments have to be made.	

2.3 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	<u>2018</u>				<u>2017</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	6,830,252	2,538,595	6,259,218	6,301,614	6,605,752	6,648,612	6,781,723	8,860,800
(ii) Rent	2,586,000	825,945	2,019,230	1,922,358	2,078,640	1,855,444	2,071,623	1,402,993
(iii) License fee	565,500	2,947,167	715,008	295,155	464,000	763,880	737,130	-
(iv) Other Revenue	14,136,800	42,423,381	15,450,862	22,093,951	13,172,000	14,175,199	8,901,345	23,273,718

2.3.2 Rates and taxes

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) The arrears of rates as at 31 December 2018 amounted to Rs.4,092,988 and it included a balance totalling Rs.1,344,188 recoverable from 674 units brought forward for over a period of over 05 years.	A speedy and formal programme should be implemented to recover the outstanding rates.	Both Revenue Inspector posts were vacant during the year 2018. At present, new Revenue Inspector is appointed and assumed duties and actions are underway to recover the outstanding revenue.
(b) The arrears of acreage taxes as at 31 December 2018 amounted to Rs. 67,555/- and it included a balance totaling Rs. 55,520/- recoverable from 57 units brought forward for over a period of over 05 years.	A formal programme should be implemented to recover the outstanding acreage taxes.	A survey will be done regarding the properties recorded in the acreage tax register and action will be taken to recover the outstanding taxes having identified the property accurately.
(c) Industrial taxes amounted to Rs. 65,680/- relevant to the previous year had not been recovered even at the end of the year under review.	Outstanding industrial taxes should be recovered immediately.	Action will be taken to recover outstanding money within this year.

2.3.3 License Fees

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) A survey had not been done regarding institutions that need to be charged Industrial taxes, business taxes and trade license fees within the authoritative area of the sabha and the sabha had failed to issue licenses even by December, 2018 for 919 business institutions that had paid fees to obtain trade licenses.	A formal programme need to be planned and implemented in order to issue licenses within a specified period to all institutions that need to be obtained licenses.	A survey is being done during this year regarding industries/ business established within the authoritative area and steps will be taken to issue permits in respect of business that permits are required.
(b) An amount of Rs. 299,200/- has been lost due to not obtaining of Environmental Protection Permits by 68 institutions that are required to obtain those permits and the sabha	Actions should have taken to issue permits as per the relevant provisions to all institutions that are	Written notifications have been made to the institutions that are required to obtain Environmental Protection Licenses and the Revenue Inspector has been informed to do a survey regarding

is not following an annual survey or any other formal methodology to identify the institutions that have not obtained relevant licenses. required to obtain Environmental Protection licenses. the institutions that have not obtained Environmental Protection Permits.

2.3.4 Other Revenues

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
(a) A survey is not conducted regarding the advertisement hoardings displayed within the authoritative area of the sabha during the year under review and due to that sabha has not verified whether the charges were paid for all the advertisement hoardings that are displayed.	Actions should be taken to recover charges from the advertisement hoardings having done a survey regarding the same and to collect all the revenues that are due to the sabha.	A survey will be done in the future regarding the advertisement hoardings and actions will be taken to charge the money.
(b) Sabha has failed to charge 01% fee from the annual turn over that should be collected from 03 tourist hotels situated within the authoritative area.	Action should be taken to recover the charges from the relevant hotels.	Necessary steps will be taken to recover the relevant charges during the year 2020.

2.3.5 Court Fines and Stamp Fees

----- Audit Observation -----	----- Recommendation -----	----- Comment of the Accounting Officer -----
Court fines revenue receivable from the Chief Secretary and other authorities of the Provincial Council as at 31 December 2018 was amounted to Rs. 1,898,165/- and Stamp Fees revenue receivable for the year 2016 was amounted to Rs. 15,195,339/- . Stamp fees due for 2017 and 2018 years has not been identified by the Sabha.	Actions should be taken to identify and recover the receivable revenue.	The court fines receivable from the Pelmadulla Court for the period from 2018 July to December, has been identified as a sum of Rs. 1,280,250/- and necessary steps have been taken to get that amount. Stamp fees schedules relevant to the year 2017 and 2018 were not received so far and therefore it is impossible to identify the stamp fees receivable for those years.

3. Operational Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public

utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

Sustainable Development Goals

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
Although the Sabha had aware in respect of the sustainable development goals, they have failed to prepare long term plans to upgrade the living standard and health of the people living in the authoritative area through the global indicators relating to that objectives, even by December, 2018.	Long term plans should be prepared and actions have to be taken to implement them.	Actions will be taken in the next year to prepare long term plans to fulfill the sustainable development goals.

3.2 Human Resource Development

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) The post of Council Secretary was vacant since June 2013 and an officer is attached for that post on acting basis in the year 2019. Within the cadre there are two Revenue Inspector posts and one post is vacant since its date of approval and this situation has been badly affected to the revenue collection of the Sabha.	Actions should be taken to fill the vacancies.	An acting secretary has been appointed since 01 st April, 2019 and one Revenue Inspector has assumed duties.
(b) The Sabha had failed to recover the outstanding loan balances amounting to Rs. 148,830/- relevant to the period from 1996 to 2014.	Actions should have been taken to recover the outstanding loan balances.	Actions have been taken to send letters to whom we were able to find the details and we are unable to find the details others. Commissioner of Local Government has been informed regarding this situation

3.3 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Member allowances amounting to Rs. 16,500/- which was overpaid to the members of the previous council had not been recovered even at the end of the year under review.	----- Over payments should be recovered.	----- Actions will be taken in the future to recover the over paid member allowances amounting Rs. 16,500/- .

3.4 Asset Management

Assets that were not transferred

Audit Observation	Recommendation	Comment of the Accounting Officer
----- The cab vehicle given to the Sabha by the Ministry of Finance and Planning in 1993, but ownership not transferred properly, had been decayed and cannot be repaired due to that. Sabha had failed to dispose it having settle the ownership problem.	----- Further actions have to be taken after settling the problems regarding the ownership of the vehicle.	----- Ministry of Finance and Planning has been referred to transfer the said vehicle to the name of the sabha but they have not transfer it so far. Letters have been sent to the Commissioner of Local Government requesting instructions.

3.5 Procurement

Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Even though, the work of reconstructing the Halgas Welyaya Dam has been given to a Rural Development Society on 14 December, 2018 on agreement to complete the work before 31 December 2018 to an amount of Rs. 300,000/-, and even as at 12 February, 2019, the work value	----- Actions should have been taken against the contractor as per the agreement.	----- Relevant society had failed to complete the work within the agreement period. It is the responsibility of the relevant Rural Development Society to get extend the date by submitting written request with reasonable reasons to the Pradeshiya Sabha.

was only Rs. 24,991 and actions had not been taken against the contractor as per the agreement.

4. Accountability and Good governance

4.1 Budgetary Control

The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

	Audit Observation	Recommendation	Comment of the Accounting Officer
(a)	Total allocation amounting to Rs. 423,604/- relevant to 03 object codes have been saved.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	I point out that the provisions were saved due to lack of necessity and money.
(b)	Out of the provisions totalling Rs.458,500 made for 06 Objects, the savings had ranged from 80 percent to 94 percent.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	I noted down to reduce the provisions to these objects in the future budgets.

4.2 Audit and Management Committees

	Audit Observation	Recommendation	Comment of the Accounting Officer
	Actions had not been taken to establish and implement the Audit and Management committees for the year under review.	Audit and Management committees should be established and implemented.	I kindly inform that Audit and Management Committees has been established since 29 th March, 2019.