

Ipalogama Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 28 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 09 July 2020 and 04 September 2020 respectively.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Ipalogama Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) The billboard arrears of Rs. 60,800 as at 31 December of the year under review had not been stated in the financial statements.	All revenue should be brought to account	Agree.
(ii) Capital value of included in the expenditure of Rs. 11,767,074 related to repairs and restoration of the stores complex buildings during the year under review had not been identified and capitalized.	Capital expenditure should be identified and accounted for.	Agree.
(iii) The amount of Rs.400,543 spent for the preparation of water facilities at the Maha Illuppallama storage complex had not been capitalized.	Capital expenditure should be identified and accounted for	Agree.

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|------|--|---|--------|
| (iv) | Buildings and water filtration systems worth Rs. 2,720,000 at Sirikulama and Kadiyangala belonging to the Pradeshiya Sabha had not been capitalized. | Action should be taken to account for the assets correctly. | Agree. |
| (v) | The value of the stadiums and grounds belonging to the Pradeshiya Sabha had not been assessed and accounted for. | Action should be taken to assess and account for them | Agree. |
| (vi) | Although the amount of Rs.99,120 remained receivable from the Local Government Department for the infrastructure development of the Pradeshiya Sabha libraries for the year 2017 had been stated under the industrial debtors, the value payable in that respect had not been stated under the industrial creditors. | Action should be taken to correctly account for creditors. | Agree. |

(b) Accounts Payable

Audit Observation

Recommendation

Comment of the Accounting Officer

The retirement benefit liabilities of Rs.560,637 as at 31 December of the year under review had not been settled for more than 05 years.

Action should be taken to settle the balance payable.

It is noted that the details of the persons to be paid the relevant benefits will be ascertained from the Department of Pensions and necessary action will be taken to settle the relevant amount.

(c) Lack of Documentary Evidence for Audit

Audit Observation

Recommendation

Comment of the Accounting Officer

No credible evidence had been presented in respect of 05 items of accounts valued at Rs. 176,202,210.

Evidence confirming the account balance shown in the financial statements should be submitted.

Agree.

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions -----	Non-compliance -----	Recommendation -----	Comment of the Accounting Officer -----
(a) Pradeshiya Sabha Act No. 15 of 1987 ----- Section 134	Action had not been taken to gazette the developed areas under the jurisdiction of the Sabha and recover the rates.	Action should be taken in accordance with the Act.	Agree.
(b) Pradeshiya Sabha (Finance and Administration) Rules, 1988 ----- Rule 5.11	No insurance coverage had been obtained for cash in transits and other valuables owned by the Sabha.	Action should be taken in accordance with the Rules.	Agree.
(c) Ministry of Local Government Reforms Circular No. PL /07/01/53 dated 14 November 2006 ----- Paragraph 2.2(iii) of Rule No.06	A continuously operational road maintenance system had not been followed. Roads belonging to the Sabha had not been gazetted and the maximum load that could be carried had not been displayed.	Action should be taken in accordance with the circular.	Agree.

02. 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. 9,087,386 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs.5,544,143 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	2,436,800	2,666,850	2,462,675	1,007,362	1,307,700	1,745,687	1,241,763	803,187
(ii) Lease Rent	4,219,676	3,441,061	3,467,357	497,349	982,680	3,191,475	1,201,930	523,645
(iii) Licence Fees	238,000	223,550	223,550	-	2,550,790	1,036,380	2,533,483	-
(iv) Other Income	6,398,646	8,007,802	9,028,664	6,824,802	5,585,936	9,490,434	11,786,029	7,845,664
	<u>13,293,122</u>	<u>14,339,263</u>	<u>15,182,246</u>	<u>8,329,513</u>	<u>10,427,106</u>	<u>15,463,976</u>	<u>16,763,205</u>	<u>9,172,496</u>

2.2.2 Rates and Taxes

Audit Observation

The outstanding garbage tax revenue as at 31 December of the year under review was Rs. 1,007,362.

Recommendation

Action should be taken to recover the outstanding revenue.

Comment of the Accounting Officer

Agree.

2.2.3 Lease Rent

Audit Observation

The receivable rental income as at 31 December of the year under review was Rs.120,803.

Recommendation

Action should be taken to recover the outstanding revenue.

Comment of the Accounting Officer

Agree.

2.2.4 Court Fines and Stamp Duty

Audit Observation

Recommendation

Comment of the Accounting Officer

The court fines and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.4,766,402 and Rs. 2,058,400 respectively.

Action should be taken to settle them.

Agree.

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 Sabhas Act, are as follows.

(a) By-laws

Audit Observation

Recommendation

Comment of the Accounting Officer

Although by-laws should have been enacted under Section 126 of the Pradeshiya Sabha Act to fulfil 28 main functions, by-laws had not been enacted as at 31 December 2019 on the relevant matters.

Action should be taken to impose by-laws on matters for which no by-laws have been enacted.

It is noted that the 10 by-laws approved by the North Central Provincial Council in relation to the imposition of by-laws on relevant matters under Section 126 of the Pradeshiya Sabha Act have been adopted for this Pradeshiya Sabha

(b) Sustainable Development Goals

Audit Observation

Recommendation

Comment of the Accounting Officer

Although the Sabha was aware of the Sustainable Development Agenda 2030, Sustainable Development Goals and programmes had not been set and implemented.

It is required to be aware of the relevant agenda and take action to implement it.

Agree.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
Due to the inability to lease out 10 properties which could have been given on lease by the tenders at the lowest tender bid value of Rs.142,650, the Sabha had lost the revenue that could have been recovered during the year under review.	Action should be taken to lease all leasable assets and thereby to increase tender revenue.	Agree.

3.3 Assets Management

3.3.1 Non-acquisition of assets

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) No action had been taken to take over the stadiums and playgrounds belonging to the Pradeshia Sabha.	Action should be taken to take over the relevant playgrounds.	Agree
(b) The ownership of 03 vehicles and machinery worth Rs. 13,571,373 used by the Sabha had not been taken over by the Sabha.	Action should be taken to take over the relevant assets.	Agree.

3.3.2 Idle /Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
Five vehicles worth Rs. 3,264,000 owned by the Sabha remained idle for more than 03 years.	Arrangements should be made to use the relevant assets or to properly auction the unusable assets.	Agree.