

Palagala 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 22 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 Palagala 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)	Interest income for the year under review amounting to Rs. 663,452, had been stated as Rs. 551,865 in the financial statements and as such Rs. 111,587 had been understated.	Income pertaining to the year should be correctly identified.	Agree.
(ii)	Expenditure of Rs.341,451 incurred on modification and upgrades of vehicles and buildings during the year under review had not been capitalized.	Capital expenditure should be correctly stated in the financial statements.	Agree. .

(b) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
No credible evidence had been presented in respect of 03 items of accounts valued at Rs.19,585,219.	Evidence confirming the account balance shown in the financial statements should be furnished.	Agree.

1.4 Non-compliance with Laws, Rules, Regulations and Management Decision.

Reference to Laws, Rules, Regulations and Management Decision	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Sub-section 16 (2) of the Audit Act No. 19 of 2018	The annual performance report had not been submitted.	The performance report should be submitted separately to include the required information.	Agree.
(b) Pradeshiya Sabha (Finance and Administration) Rules, 1988. Rules 161 and 162	Financial statements had not been presented in the format introduced.	Those should be submitted in the relevant format as per the rules.	Agree.
(c) Local Government Reform Circular No. PL 07/01/53 dated 14 November 2006			
i. Rule No. 09	Maintenance of registers on cemeteries, their declaration and ensuing protection by erecting fence had not been done.	The circular should be followed.	The cemeteries have not been entrusted to the Sabha by the Divisional Secretary. Having discussion with the Divisional Secretary, action will be taken to erect security fence in combination with the relevant funeral aid societies.

ii. Paragraph 2.2(iii) of Rule .06	A continuously operated road maintenance system had not been followed.	Action should be taken in accordance with the circular.	An arrangement has been made so as to include programmes expected to be implemented for maintenance.
	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.	Action will be taken to gazette the roads and display the maximum load that can be carried on those roads.
(d) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R. 1645	Monthly Running Charts and summaries relating to the vehicles of the Sabha had not been submitted to the Auditor General before the 15th of the following month.	Action should be taken in accordance with the Financial Regulations	Action will be taken to submit them in the future.
(e) Public Administration Circular 09/2009 dated 16 April 2009	Finger scanners had not been used to confirm arrival and departure.	Action should be taken in accordance with the circular.	A finger scanners has been purchased and the necessary arrangements have been made to operate it.

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. 3,810,858 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 5,870,343 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.
Rates and Taxes	1,270,000	1,420,560	829,110	659,050	1,180,000	1,439,560	1,439,560	67,600
Lease Rent	3,094,500	9,595,811	9,019,661	639,750	2,192,000	1,750,830	1,880,496	63,600
Licence Fees	300,150	241,535	241,535	-	310,500	342,430	342,430	-
Other Income	6,870,500	15,183,599	18,928,536	5,500,075	6,902,300	8,836,092	15,592,296	9,245,012
<b>Total</b>	<b>11,535,150</b>	<b>26,441,505</b>	<b>29,018,842</b>	<b>6,798,875</b>	<b>10,584,800</b>	<b>12,368,912</b>	<b>19,254,782</b>	<b>9,376,212</b>

## 2.2.2 Court Fines and Stamp Duty

### Audit Observation

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. 5,410,375 and Rs. 89,700.

### Recommendation

Action should be taken to settle stamp duty and court fines.

### Comment of the Accounting Officer

Out of the court fines of in arrears of Rs. 5,410,375, action has been taken to recover Rs. 4,000,000. Arrangements have been made to collect the remaining stamp duty and court fines.

## 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)	<p>By-laws</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to fulfill 28 main functions, by-laws had not been enacted with respect to the relevant matters by 31 December 2019.</p>	<p>Recommendation</p> <p>-----</p> <p>Action should be taken to enact by-laws.</p>	<p>Comment of the Accounting Officer</p> <p>-----</p> <p>All the by-laws presented by the Minister in charge of the subject have been adopted and action will be taken to enact by-laws as required..</p>
(b)	<p>Environmental Issues</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>According to the Extraordinary Gazette Notification No. 2034/36 dated 01 September 2017, garbage containing plastic should not be incinerated outdoors but all the garbage collected by the Sabha had been incinerated from time to time at two locations.</p>	<p>Recommendation</p> <p>-----</p> <p>Action should be taken in accordance with the National Environmental Act No. 47 of 1980.</p>	<p>Comment of the Accounting Officer</p> <p>-----</p> <p>It was revealed that the frequent presence of wild animals to eat the polythene and other garbage discarded by the Sabha poses a threat to the survival of those animals.</p>
(c)	<p>Sustainable Development Goals</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>Although six objectives in the 2030 Agenda for United Nations Sustainable Development Goals had been identified, it was as not revealed that those objectives were achieved.</p>	<p>Recommendation</p> <p>-----</p> <p>Steps need to be taken to identify and implement these goals and objectives.</p>	<p>Comment of the Accounting Officer</p> <p>-----</p> <p>Arrangements are in place to achieve the Sustainable Development Goals within the relevant time frame.</p>

### 3.2 Management Inefficiencies

-----

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(a) A sum of Rs. 639,750 due from 20 persons for the rent of motor grader and the compactor had not been recovered.	Action should be taken to recover the account balances due.	Out of the arrears of Rs.639,750 for the rented motor grader, a sum of Rs. 376,650 has been recovered and steps have been taken to recover the remaining arrears.
(b) Audit fees of Rs.388,070 payable from 2016 to 2018 had not been settled.	Action should be taken to settle the payable account balances.	The Sabha had to manage the funds as the amount of funds owned by the Sabha remained low. Action will be taken to pay the arrears in the future according to the financial viability.

### 3.3 Human Resource Management

-----

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
The employee debt balance of four officers that remained outstanding for the past 03 years amounted to Rs. 304,339.	Action should be taken to recover the employees loans.	One officer is dead and another officer's files are missing. Action has been taken to recover the debt though the surety of the other officer.

### 3.4 Operating Inefficiencies

-----

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(a) Although the compactor machine had run for 336.5 meters hours, the working hours in the relevant revenue register had been recorded as 294 and as such, there was no information on the 42.5-meter hours run, which is expected to generate revenue of Rs. 85,000.	Records should be compatible with revenue register.	The number of hours in which the compactor machine was used had been used for the road week and arrangements will be made to prevent such problems in the future.

- |  |   |  |
|--|---|--|
| (b) The motor grader had a running time of 449.2 meters hours, but the working hours in the relevant revenue register had been recorded as 375.30 Accordingly, there was no information on the 73.9 meters hours, which is expected to receive revenue of Rs. 369,500. | The number of meter hours of the machine should be compatible with the revenue records. | The number of hours in which the motor grader was used had been used for the road work and arrangements will be made to prevent such problems in the future. |
|--|---|--|

### 3.5 Transactions of Contentious Nature

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) When purchasing a three-wheeler, a three-wheeler manufactured in 2016 had been purchased for the price of a three-wheeler belonging to the production year of 2018/2019.	Procurement should be carried out properly.	The purchase of the three-wheeler has been done in accordance with the specifications and it has been confirmed after obtaining the registration certificate that the three-wheeler was manufactured in 2016 and action has been taken to recover the loss from the relevant institution.
(b) According to the state policy, the brand new vehicles should be purchased from the manufacturer or the authorized dealer. Nevertheless, an old used three-wheeler manufactured in 1995 had been purchased for Rs. 248,000.	Purchases should be made in accordance with government policy.	Since it takes a long time to buy a new three-wheeler on business profit and due to continuous production, an old three-wheeler had to be purchased.

### 3.6 Assets Management

#### 3.6.1 Non-documentation of Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
The old L-200 type Cab in the Sabha premises had not been documented.	Action should be taken to account for all assets used by the Sabha.	This vehicle is owned by the Ministry of Finance. This vehicle was carried away by the Sri Lanka Army and subsequently brought back. The useful lifespan of this vehicle is also over. The Local Government Department has been informed to dispose of this.

### 3.6.2 Failure to receive due income from the assets

-----

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
Five shops on the upper floor of the Adiyagala shopping complex owned by the Sabha had not been leased for the year under review.	Income should be earned by taking steps to lease the shops.	Arrangements are being made to lease them.

### 3.6.3 Non-acquisition of Assets

-----

Audit Observation	Recommendation	Comment of the Accounting Officer
-----	-----	-----
(a) No action had been taken to take over the ownership of motor vehicles, two motorcycles and two trailers valued at Rs. 1,800,000 used by the Sabha.	Action should be taken to acquire ownership of all assets used by the Council.	This vehicle was received from the Local Government Department and arrangements will be made to take it over. The motorcycle was donated by the Fan Sri Lanka Project and as there is no information regarding 02 trailers and this motor vehicle, it has not been possible to take over their ownership.
(b) No action had been taken to take over 52 Acres and 2 Rood of land worth Rs. 10,051,000 used by the Sabha in the name of the Sabha.	Action should be taken to acquire ownership of all assets used by the Council.	Arrangements will be made to take over them.
(c) Two tractors and two water bowsers worth Rs. 490,000 owned by the Sabha were being driven without registration.	Vehicles should be registered and put into operation.	It has not been possible to take over them due to lack of information required for the registration.
(d) Action had not been taken to transfer the registered ownership of the old three-wheeler purchased for Rs. 248,000 on 29 October 29 of the year under review.	Action should be taken to transfer the ownership.	Arrangements will be made for the registration.



### 3.6.4 Idle/Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) A building valued at Rs. 1,542,228 and two buildings the value of which could not be identified remained idle.	All the assets of the Sabha should be used for effective purposes.	Peoples' usage of the Pabbogama toilet system is minimal and one building is expected to be used for the Pilisaru project. Measures have been taken to obtain water for the Adiyagala toilet system.
(b) The machinery for making bakery products from rice flour worth Rs. 230,600 remained idle since year 2014.	All the assets of the Sabha should be used for effective purposes.	Action will be taken to use the machinery and equipment that can be used in the new bakery and dispose of the machinery and equipment that cannot be used.

### 3.7 Identified Losses

Audit Observation	Recommendation	Comment of the Accounting Officer
During the year 2019, a loss of Rs. 398,568 had been incurred by the bakery and restaurant run by the Sabha	Public service projects should be conducted in a manner that does not incur losses.	Steps will be taken to minimize this loss in the future through good management.

### 04. Accountability and Good Governance

Audit Observation	Recommendation	Comment of the Accounting Officer
As per paragraph 06 of Circular No. 04/2015 dated 18 March 2015 of the Commissioner of Local Government, North Central Province, an Internal Audit Officer directly responsible had not been appointed and reports had not been obtained.	Action should be taken in accordance with the circular.	Action will be taken to appoint a suitable officer in the future and provide the necessary reports.