

**Pannala Pradeshiya Sabha  
Kurunegala District**

**1. Financial statements**  
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**1.1 Presentation of Financial Statements**  
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The financial statements for the year 2018 had been presented to audit on 29 March 2019 and the Summary Report of the Auditor General on the financial statements on 31 May 2019 and the Detailed Management Audit Report on 31 May 2019 had also been furnished to the Chairman.

**1.2 Qualified Opinion**  
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In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Pannala 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 Qualified Opinion**  
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<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
<p>(a) Even though According to the financial statements of the five Accounts for the year under review, was Rs. 214,747,057, thus the balance as per the schedule was Rs. 207,767,533, there was a difference of Rs. 6,979,524.</p>	<p>Actions should be taken to compare the differences in the respective balances and correct the accounts.</p>	<p>Actions will be taken to correct this error by the final financial statements of 2019.</p>
<p>(b) The evidences relating to 4 accounting items valued at Rs. 15,389,078 had not been submitted to audit.</p>	<p>The evidences ascertaining the account balances shown in the financial statements should be submitted.</p>	<p>There are differences remained due to various reasons and actions will be taken to correct them.</p>

## 1.4 Non-compliance

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

The instances of non-compliance with Laws, Rules, Regulations and Management Decisions are as follows.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(i) 1988 Pradeshiya Sabha (Financial and Administrative) Rules Rule 193	A statement explaining the differences between budgeted revenues and expenditures and actual revenues and expenditures was not presented.	Actions should be taken to comply with financial Rules.	Arrangements will be made to present with financial statements after Preparation from next year.
(ii) Rule 218	All lands and buildings of the Sabha had not been inspected at least once a year and there were differences between the schedule and the Register of Land and Buildings.	Actions should be taken in accordance with the Rules.	Only the lands that are tenured by the Sabha with deeds are included in the Register of Land and it is mentioned that do not reconcile with the final financial statement.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the income over the recurrent expenditure of the House for the year ended December 31, 2018 was Rs. 89,654,732 and the corresponding expenditure over the previous year was Rs. 32,142,498.

## 2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
Although a cash balance at least Rs. 25 million had been in idle from January to October 2018 in the Current Account maintained by the Sabha at Bank of Ceylon, this excess money was not considered to be invested in a productive purpose.	Actions should be taken to invest the money of the Sabha effectively.	Steps will be taken to rectify the errors pointed out by the audit and to effectively manage the money belonging to the Sabha.

## 2.3 Revenue Administration

### 2.3.1 Estimated Income, Billed Income, Accumulated Income and Arrears

Details of Estimated Revenue, Billed Income, Accumulated Revenue and Arrears of Revenue for the year under review and the previous year are as follows.

Source of Revenue	<u>2018</u>				<u>2017</u>			
	Estimated Revenue Rs.000	Billed Revenue Rs.000	Collected Revenue Rs.000	Total Arrears as at 31 December Rs.000	Estimated Revenue Rs.000	Billed Revenue Rs.000	Collected Revenue Rs.000	Total Arrears as at 31 December Rs.000
I. Rates and Taxes	10,254	9,820	9,475	2,245	9,421	11,220	12,182	2,587
II. Rent	22,546	22,238	21,911	2,267	22,310	21,464	22,238	4,128
III. License Fees	1,386	1,378	1,378	-	1,385	1,384	1,384	-
IV. Other Revenue	152,559	113,002	113,445	-	129,320	116,031	113,915	56,608
<b>Total</b>	<b>186,745</b>	<b>146,438</b>	<b>146,209</b>	<b>4,512</b>	<b>162,436</b>	<b>150,099</b>	<b>149,719</b>	<b>63,323</b>

### 2.3.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) The arrears in acreage tax for more than the period of 03 years was	Action should be taken to recover the arrears.	Action will be taken to correct the acreage tax

Rs. 332,131 and the acreage arrears over 10 years was Rs. 264,466. Further the stall rent exceeding of 10 years was Rs. 13,200 .

documents, to collect arrears acreage taxes or to write off.

- (b) The balance of rates of the Makandura sub office over 5 years was Rs. 97,581 and the arrears acreage tax balance was Rs.166,206. Actions should be taken to recover the arrears. Action will be taken to correct the acreage tax documents, to collect arrears acreage taxes or to write off.

### 2.3.3 Rent

Audit Observation	Recommendation	Comments of the Accounting Officer
The rent arrears receivable as at 31 December of the year under review were Rs. 2,267,000 .	The arrears should be recovered.	The notification letters have been sent to recover the rent and 02 cases have been filed.

### 2.3.4 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The court fines and stamp fees receivable as at 31 December of the year under review were Rs.10,012,768 and Rs.97,265,336 respectively from the Chief Secretary of the Provincial Council and Other Authorities .	Actions should be taken to recover court fines and stamp fees.	Actions were taken to collect stamp fees and court fines.

## 3. Operating Review

### 3.1 Performance

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as 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 are as follows.

**(a) By-laws**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
Although by-laws should be enacted to accomplish 30 key issues under section 126 of Pradeshiya Sabha Act by 31 December 2018, the By-laws had been enacted for 51 matters including sub matters .	Actions should be taken to enact By-laws as per requirements and to comply with the enacted e by-laws.	Fifty one By-laws have been adopted and of which 42 are Standard By-laws and nine other By-laws have been adopted on the needs of the Sabha.

**3.2 Management inefficiencies**

----- <b>Audit Observation</b> -----	----- <b>Recommendation</b> -----	----- <b>Comments of the Accounting Officer</b> -----
(a) The Sabha had not taken action to recover the outstanding balance of Rs. 99,637,503 for more than one year by the end of the year under review.	Action should be taken to settle account balances receivable.	It is informed that the proper measures will be taken to recover the outstanding balance.
(b) Actions had not been taken to settle account balance payable amounted to Rs. 48,419,187 which had exceeded the period of one year by the end of the year under review.	Actions should be taken to settle the account balances payable.	It is informed that the actions will be taken to be paid or to be taken in to revenue by a Sabha decision in future.

### 3.3 Human Resource Management

#### 3.3.1 Employee Vacancies and Excesses

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
There were 39 vacancies in the approved cadre and there were 19 development officer positions and an excess of office worker as at 31 December 2018 .	Actions should be taken to fill the vacancies and to get the approval for the excesses.	Approval has been duly received and forwarded for the recruitment process and 19 Development Officers who had attached to the Department of Local Government had been shown in our cadre report as excess . Actions will be taken to approve the appointment of office worker in future .

#### 3.3.2 Employee Loans

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An employee loan as at 31 December 2018 amounted to Rs. 205,394, had not been recovered for a long time.	Actions should be taken to recover the unrecovered employee loans.	Actions will be taken to recover the employee loan balances that had remained for a long period from guarantors, retirement gratuity and to write off the balances irrecoverable by obtaining a decision from the Sabha.

### 3.4 Operating inefficiencies

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Necessary arrangements had not been made in respect of 521 books those had not submitted for 2017 Board of Survey valued at Rs. 63,217 and the 336 books which the	Action should be taken against responsible parties.	Actions were taken to write off from the Board of Survey report after recording the books received later on whilst implementation of recommendations of Board of Survey.

readers of the Makandura Library were taken away and not returned amounted to Rs. 83,589 .

### 3.5 Transactions in Contentious Nature

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>Actions had not been taken in compliance with the provisions of the By-law relating to the development and sale of housing properties published in the Gazette No. 1882 /22 of 01 August 2014, not developing according to the conditions given by the Council, non-registration of Title Deed for Common Amenities, non-payment of estimated value of Rs.578,545 applicable to 1 per cent tax, selling of the 16 acre Rood 01 and 27.4 perches land at Palliyawatta, Alabadagama by developing without obtaining the approval of the Tea, Coconut and Rubber Fabrication Board without approving the land block plan by the Sabha.</p>	<p>Actions should be taken in accordance with the provisions of the By-law.</p>	<p>The relevant institution has promised to submit an affidavit dated 27.09.2017 to obtain approval for the allotment of land completing all development conditions provided by the Sabha before 31.12.2017 .</p>

### 3.6 Assets Management

#### 3.6.1 Non - documentation of Assets

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
<p>The Sabha had not properly maintained the Register of Fixed Assets and had been</p>	<p>Asset records should be maintained properly.</p>	<p>There are only the lands belonging to the Pradeshiya Sabha which were owned by</p>

presented in the asset accounts based on Annual Board of Survey reports.

the deeds are documented at the Head Office.

**3.6.2 Assets not Taken Over**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Steps had not been taken to take over the new bus stand stalls and the Yakwila Sathi Pola which were built under the 2014 Deyata Kirula Development Programme.	Arrangements should be made to take over these assets.	Actions have not been taken to transfer these assets.

**3.6.3 Idle/ Underutilized Assets**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Two water motors and a water dispenser were in the warehouse in idle and those items had not been included in the inventory.	Those should be stated in the inventory.	Actions will be taken in future to enter in to the inventory by checking the performing condition of both water motors and assessing their value .

**4. Accountability and Good Governance**

**Internal Audit**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
An adequate internal audit had not been carried out for the year under review.	Audit activities should be carried out preparing internal audit plans and the copies of internal audit reports should be submitted to the audit.	Actions will be taken to carried out internal audit activities adequately from the year 2019 .