

Rabewa Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been presented for the audit on 29 March 2018 and the Auditor General's Report relating to that had been submitted to the Chairman on 25 September 2018.

1.2 Qualified Opinion

In my opinion except for the effect of the matters described in paragraph 1.3 of this report Financial Statements give a true and fair view of the Financial Position of the Rabewa Pradeshiya sabha as at 31st December 2017 and its Financial Performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The Following facts were disclosed.

- (a) Due to the sum of Rs.97,928 interest payable under 5 projects to be accomplished being recorded in the debtor's account and the debtor's account for the year under review had been overstated.
- (b) During the year under review audit charge had not been accounted and set aside.
- (c) Until the quality reports are submitted for four development projects, the sum of Rs.2,451,085 to be received by the Divisional Secretariat Office and payable to contractor by the Sabha had not been recorded in the debtors and creditors account and there by the current liabilities and current assets had been understated.
- (d) The sum of Rs.336,000 received by the sabha in order to accomplish 9 projects had been accounted under the debtor's account and the debtor's account had been understated for the year under review.
- (e) The capital gains and capital expenditures was understated due to the total of industrial debtors valued Rs.29,697,850 and industrial creditors worth Rs.29,728,674 not being recorded under the capital gains account and capital expenditure account.
- (f) The industrial debtors worth Rs.2,236,302 and Creditors Rs.1,105,477 was overstated due to the 6 projects accomplished during the year under review not being correctly accounted under the debtors and creditors accounts.

1.3.2 Non – Reconciled Accounts.

An un reconciled balance of Rs.113,057 was observed between the assessment tax arrears and the ledger accounts in the financial statements for the year under review as at 31st December.

1.3.3 Payable and receivable accounts.

(a) Accounts receivable

The receivable sum totalled to Rs.584,794 of six items remained irrecovered even during the year under review.

(b) Accounts payable

Actions had not been taken to pay off the payables totalled Rs.865,218 belonging to 9 items during the year under review.

1.3.4 Lack of written evidence for audit

Due to lack of necessary information total of Rs.63,931,275 belonging to 4 items of accounts unable to audit satisfactorily.

2. Financial Review

2.1 Financial Result

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the sabha for the year ended 31 December 2017 amounted to Rs.1,761,489 as compared of the corresponding excess of revenue over recurrent revenue for the preceding year according to the financial statements submitted for the preceeding year amounted to Rs.3,091,434.

2.2 Revenue Administration.

2.2.1 Estimated Revenue, Actual Revenue and Arrears Revenue

Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below

Type of revenue	The balance brought forwarded as at 01 January 2017	The billed revenue for the year 2017	Revenue collection during the year 2017		The Value of arrears as at 31 December 2017
			Arrears during 2017.01.01	The billed amount during 2017	
	Value. Rs.	Value. Rs.	Value. Rs.	Value Rs.	Value. Rs.
Assessment tax	468,926	645,000	104,981	365,812	643,128
Court Charges	105,586	869,996	-	-	975,576
Shop rentals	54,000	628,900	54,000	613,400	15,500
Stamp charges	497,700	60,000	-	-	557,700
Rent on tender	1,917,861	2,427,101	88,625	2,427,101	1,829,176
Total	<u>3,044,001</u>	<u>4,630,997</u>	<u>247,606</u>	<u>3,406,313</u>	<u>4,021,080</u>

2.2.2 The performance of revenue collection

The following matters are observed.

Rates and taxes

The tax rate arrears recovered during the amounting to Rs.104,980 out of the total balance at the beginning of the year valued to Rs.468,920 actions had not been taken recovered according to the section 158 of Pradeshiya Sabha Act No.15 of 1987.

Court fine and Stamp fee.

The stamp duty receivable amounted to Rs.497,000 at the beginning of the year 2017 had not been recovered from the provincial council and stamp duty for the year under review had been recorded as Rs.60,000 without being accurately identified.

3. Operational review

3.1 Performance

The following reveals the regulation and control of matters relating to public amenities, public utility services and public roads, public health and public welfare services under section 3 of the Pradeshiya Sabha Act fulfilled by the Sabha for the convenience and wellbeing of the people.

(a) By laws.

Although the minister of the subject of the North Central Province Council in terms of section 126 of the Pradeshiya Sabha Act, gazetted several laws under the No 1960/35, 30 March 2016 dated Gazette paper, the council had not taken necessary steps to legalize the gazette notification.

(b) Action Plan

An annual action plan had not been prepared regarding the functions to be performed by the Pradeshiya Sabha.

(c) Abandoned Functions

Under the Village Development Programme of 1000 Km, from the Rathmagahawewa main road through Siyabalagaswewa village to Rathmalagahawewa in the main road, the road development project was contracted for Rs.4,108,979 without an agreement while about 750m distance ABC gravel were spread and then road repair had been anhilated.

(d) Solid Waste Management

The waste brought to the Sabha through the Pilisara project were unclassified and it incurred extra cost of time and money. Also a proper plan had not been prepared in order to sell the compost produced by the Pilisara project.

(e) Sustainable development

Although the Sabha had informed that it was a were of the United Nations' Sustainable development goals 2030 the action plan for the year under review had not been prepared to achieve the objectives.

3.2 Human Resources Management

Contrary to the Public Administration Circular No 29/2014 14 employees had been recruited for work from 24 October 2014 until 31 May 2016 and paid salaries amounted to Rs.7,602,604.

3.3 Asset Management.

Inactive and under utilized assets.

3 asset units belonging to the Sabha worth Rs.856,800 had not been utilized over many years and it remained inactive.

4. Accountability and Good Governance.

4.1 Budget Control

Due to the budget estimations being prepared without proper forecast 6 items related to the income showed variations ranging from 12 percent to 62 percent between the budgetary income and the actual income. And 5 subject items related to expenditure showed variations ranging from 22 percent to 64 percent between the budgetary expenditure and the actual expenditure. Accordingly it was observed that the budget had not been used as an effective management tool.

4.2 Audit and Management Committees

In accordance with the Circular issued No.DMA 2009 (1) dated 9 June 2009 by the Department of Management and Audit, Audit and Management Committees were not established for the year 2017.

5. Systems and Controls

The attention of the sabha had not been drawn from time to time towards observed shortcomings during the audit and the following systems and controls have remained of special concern.

<u>Systems</u>	<u>Deficiencies</u>
(a) Accounts Receivable and Payable	Not being identified properly and not settling
(b) Internal Control	(i) Not implementing internal audit. (ii) Audit and Management Committees not being conducted.
(c) Solid Waste Management	Steps not being taken to recycle the Non-decaying solid waste.
(d) Employee Management	Vacancies not being fulfilled.