

Thirappane Pradesiya Sabha
Anuradapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The Financial statements of the year 2017 had been presented to audit on 29 March 2018 while the report of the Auditor was issued to the Chairman on 21 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Thirappane Pradeshiya Sabha as at 31 December 2017, its financial performance and cash flows 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 were observed

- (a) The multi purpose building constructed on the premises of the sabha costed Rs.42,505,310 at the ended of the financial year under review while it had been stated in the financial statements as Rs.45,000,000 and thereby Rs.2,494,690 was over stated.
- (b) The Sanitation Center Constructed under the grants of Puraneguma Project was assigned to the sabha was valued to Rs.3,199,398 while it had been recorded under the financial statements in Rs.5,000,000. There for the value of hand buildings was over accounted Rs.1,800,602.
- (c) Due to the fact that the fixed asset worth Rs.3,593,985 handed over to the sabha by the Puraneguma project being unrecorded, the fixed assets and the contribution from revenue to capital outlay account had been understated.
- (d) During the year under review the shop and shop rental account was Rs.1,437,135, while it had been recorded as Rs.1,422,035 in the financial statements and the rental arrears had been over stated in Rs.15,100.
- (e) Although the value of other income was Rs.804,994, it had been recorded as Rs.782,523 under the income and expenditure account for the year under review. Therefore income for the year was under stated in Rs.22,471.
- (f) Although Sabha had been provided with galvanized reeds by the Divi Neguma Development project in the month of November 2014, Rs.138,393 worth 125 galvanized reeds had not been accounted under the fixed Assets.

1.3.2 Un-reconciled Control Accounts

There was a difference of Rs.17,614,579 between the balance schedule of land and building and the balance of ledger accounts.

1.3.3 Accounts Receivable and Payable

The total of Rs.540,249 nine receivable balances. extending from several year and Rs.1,256,037 four payable balances during the year under review had not been settled and the required information on such balances was not submitted to the audit.

1.3.4 Absence of written evidence required for audit

Due to non-submission of required information, three items of audit accounts which were totalled Rs.122,654,261 could not be verified satisfactorily in the audit.

1.3.5 Non-compliance

1.3.5.1 Non-compliance with management laws, rules and regulations

The following shows the situations of non-compliance with laws, rules and regulations.

In reference to the Decisions of the Management regarding Laws, Rules and Regulations

No-Compliance

(a) Pradeshiya Sabha Act No.15 of 1987
Section 177

By laws had not been issued for the establishment of a scheme for gratuity payments for the temporary casual workers in the congregation.

(b) 1988 Provincial Councils (Financial and administrative) rules and regulations

(i) Rules No 5.11

There was no insurance coverage for the money and other valuable goods in transit.

(ii) Rule No.33

The list of defaulting individuals for assessment tax and a warrant for the prohibition of property had not been prepared at the end of each quarter.

(iii) Rule No.217 and No.218

The Pradesiya Sabha had not maintained a Document as per the format 46 of Pradeshiya Sabha and all the Lands and buildings had not been checked once in every year.

(c) 28 November 2002 No.1A1/2002/02
Treasury circular

There was no fixed asset register for computer, computer software and computer accessories.

2 Financial Review

2.1 Financial Result

According to the financial statements presented, the excess of recurrent revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.913,037 as compared with the excess of expenditure over recurrent revenue amounting to Rs.1,456,685 for the preceding year.

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.

Sources of income	Balance brought forward as at 01.01.2017 Value. Rs.	Billed Revenue during 2017 Value.Rs.	Collected Revenue during the year 2017		Arrears Revenue as at 31 December Value.Rs.
			Arrears 01.01.2017 Value.Rs.	Billed Amounts during 2017 Value.Rs.	
Assessment tax shop rentals	134,369	245,358	8,182	138,458	233,087
Shop rentals	739,546	645,600	-	-	-
Well pipe charges	68,730 369,300	75,330 42,800	66,937 36,800	40,233 9,200	1,422,035 366,100

Meat stalls	182,917	847,400	500	847,400	182,146
Total	<u>1,494,862</u>	<u>1,856,488</u>	<u>112,419</u>	<u>1,035,291</u>	<u>2,203,638</u>

Only Rs.112,419 which is 7.5 percent of the arrears Revenue of Rs.1,494,862 as at the beginning of the year under review had been collected.

2.2.2 Rates

Rs.245,358 worth Rates had been generated by the calculations of the Provincial Council Act but had not been dealt with in terms of section 158 to recover the arrears of revenue that was equal to 90 percent of Rs.233,087 at the end of the year.

2.2.3 Rentals

The outstanding arrears for the year under review were Rs.1,442,035 as at 31 December 2018 and on 20 July 2018 a sum of Rs.420,295 had been recovered. In accordance with the Pradeshiya Sabha Act No.15 of 1987 section 159(1) steps had not been taken to recover the rent arrears amounting Rs.1,021,740.

2.2.4 Court Fines

The court fines income arrears as at 31 December was Rs.618,476 while Rs.277,090 had been received by 20 July 2018.

2.2.5 Other income

2 hotels registered in the Tourist Board in the Council of Tourism had not recovered the 1% taxes levied on the annual turnover based on section 149(d) of the Pradeshiya Sabha Act No.15 of 1987.

3 Operating Review

3.1 Performance

The following reveals the functions relevant to regulating and controlling matters relating to public health, public utility services and public roads under section 3 of the Pradeshiya Sabha Act, the matters that were fulfilled by the council for the convenience of the welfare of people.

(a) By laws

In implementing the functions mentioned in section 3 of the Pradeshiya Sabha Act No.15 of 1987 for the fulfilment of the powers of the Provincial Council in the terms of the section 122

of the Pradeshiya Sabha Act, By laws had not been enacted to fulfil the 28 of the major matters until 31 December 2017

(b) Action Plans

The plan of functions to be performed by the Pradeshiya Sabha during the year review, had not been scheduled.

(c) Environmental Issues

Non decaying material collected by the Provincial Council has been decontaminated at the pilot project. The collection of water in the undisposed waste during rainy seasons and waste exposure to the environment resulting in health problems, and the release of undecaying substances and burning in to the environment could damage the environment.

(d) Sustainable development goals

The Council was not aware of the Agenda of the United Nations Sustainable Development goals 2030.

3.2 Operational inefficiencies

The following facts were observed

- (a) The multi purpose building and the auditorium worth Rs.42,505,310 donated by the Puraneguma project had not been rented out nor steps been taken to earn an income by the Sabha.
- (b) Although 11 telephone towers was established in the Council area only 33 towers were charged with a basic fee. Accordingly the Sabha had failed to charge fees as stated in the Extra Ordinary Gazette No.1598/08 of 17 September 2009.

3.3 Assets Management

The following facts were observed

- (a) Action had not been taken to mark the boundaries of 13 lands and 1 building maintained by the Sabha nor to obtain the title deeds and plans, and also to assess the value of those as well as to include in the financial claims in the financial statements as proposed by the Provincial Public Administration Reform Circular No.3 Section 3.
- (b) Eventhough lands had been reserved for 54 cemeteries with the Council area, it was not functioning according to proposals of Provincial Council, local Government Reform No.09 of PL/07/01/53 recommended No.7.1 to 7.8 of 14 November 2006.

- (c) Actions had not been taken to activate the proposals of Local Government Reform Circular Section 3 of No.6 and the maintenance list of priority roads had not been prepared.

3.4 Idle and Underutilized Physical resources

3 vehicles belonging to the Sabha had been parked without utilizing them, and actions had not been taken to repair those and use nor to dispose those at the least.

4 Good Governance and Accountability

4.1 Presentation of financial statements

A comparative statement regarding the budgeted and actual amounts approved by the committee had not been submitted for the year under review.

4.2 Internal Audit

Although an internal auditor had been appointed according to the Section 6 of the Circular No.04/2015 of 18 March 2015 of the Local Government of North Central Province, an internal audit had not been carried out.

4.3 Audit and Management Committees

DMA/2009 of 09 June 2009

- (i) The Audit and Management Committees for the year 2017 had not been established according to the Circulars issued by the Department of Management and Audit.

5 Systems and Controls

The shortcomings observed at audit were periodically referred to the Sabha and special attention should be giving under the following field.

<u>Systems</u>	<u>Weaknesses</u>
(a) Revenue Management	(i) Estimated revenues not been prepared. (ii) Non observance of the work of revenue officers. (iii) Non valuation of property.
(b) Planning	(i) Corporate plan, action plan and procurement plans had not been developed.
(c) Fixed Assets	(i) Fixed Assets had not been properly accounted. (ii) Surveys not being updated. (iii) Not ensuring the security of Assets.
(d) Solid waster management	No actions taken to recycle the undecaying waste.
(e) Account receivable and payable.	Step not been taken recover or settle long term balances.
(f) Internal Audit	No internal audit had been taken place.