

Passara Pradeshiya Sabha

Badulla District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2017 had been submitted for audit on 28 March 2018 and the report of the Auditor General had been sent to the Chairman on 30 August 2018.

1.2 Qualified Opinion

In my opinion except for the effect on the matters described in Paragraph 1.3 of this report, Financial Statements give a true and fair view of the financial position of the Passara Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statement

1.3.1 Accounting Deficiencies

The following were observed.

- a) Stamp Duties amounting to Rs.966,702 had been overstated in the year under review as such the surplus and the current assets had been overstated by that amount.
- b) The value of discounts amounting to Rs.32,680 relating to purchase of books had not been accounted as fixed assets.
- c) Retention money for the contract of the development for the Millakandura 10 houses road had not been credited to the deposit account as such the value of current liabilities had been understated by Rs.37,278.
- d) Rental for the backhoe machine amounting to Rs.89,300 to be received in the year under review had not been accounted as income and receivable income as such the surplus and the current assets were understated by that amount.

1.3.2 Accounts Receivable and Payable

a) Accounts Receivable

As at 31 December of the year under review, accounts receivable balances to Rs.24,597,254 includes of Arrears of Acreage Tax due from 1 year amounting to Rs.267,003, Arrears of Rental due from 5 years amounting to Rs.136,041, Arrears of Miscellaneous Income

amounting to Rs.2,594,985, and Arrears of Capital Donations due from 1 year amounting to Rs.21,599,225.

b) Accounts Payable

 As at 31 December of the year under review, accounts payable balances to Rs.23,027,311 includes of Arrears of Expense Creditors due from 3 years and 2 years amounting to Rs.938,468 and Rs.22,049,757 respectively, and Arrears Pension Creditors due from one-year amounting to Rs.39,086.

1.3.3 Lack of Written Evidence for Audit

 Due to lack of information regarding five items totaling Rs.136,825,634, could not be satisfactorily vouched in audit.

1.3.4 Non-compliance

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

 Instances of non-compliance with Laws, Rules, Regulations and Management decisions were shown below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) 1988 Pradeshiya Sabha (Financial and Administration) Rule 217 and Rule 218		A survey on land and building of the Council had not been conducted by a Board of Survey
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
i. Financial Regulation 104(4)	269,738	Complete reports of accidents occurred to a Cab and a Backhoe loader in 2014 had not been submitted.
ii. Financial Regulation 189	75,712	Although 3 cheques relating to shop rent for the year 1994 and 1996 were dishonored, action had not been taken to recover the relevant value

- iii. Financial Regulation 371 88,496 Action had not been taken to recover the advances paid to three various parties during years 2004, 2006 and 2013

2. Financial Review

2.1 Financial Results

According to the financial statements presented, surplus over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.9,166,523 and the corresponding surplus over recurrent expenditure for the preceding year amounted to Rs.8,444,561.

2.2 Financial Administration

Balance of 3 current accounts amounting to Rs.3,174,421 had been remained unoperated during the year 2017 and attention had not been paid to invest said balance in a fruitful investment by the Council.

2.2.1 Revenue Administration

2.2.2 Estimated Income, Billed Income, Collected Income and Arrears of Income

The details about the Estimated Income, Billed Income, Collected Income and Arrears of Income for the year under review and the preceding year are stated below.

Source of Income	2017				2016				
	Estimated Income Rs.	Billed Income Rs.	Collected Income Rs.	Arrears of Income as at 31 December Rs.	Estimated Income Rs.	Billed Income Rs.	Collected Income Rs.	Arrears of Income as at 31 December Rs.	
(i) Rate and Tax	488,542	488,394	375,963	112,430	488,545	484,085	416,785	67,300	
(ii) Rental	5,614,758	6,948,890	6,905,348	43,542	10,420,900	7,788,446	7,708,596	79,850	
(iii) Permit Fee	--	695,450	695,450	--	699,010	699,010	699,010	--	
(iv) Other Income	2,756,289	2,625,490	1,377,167	1,248,323	2,662,999	2,747,627	1,672,118	1,075,509	
Total	8,859,589	10,758,224	9,353,928	1,404,295	14,271,454	11,719,168	10,496,509	1,222,659	

2.2.3 Performance of Revenue Collection

The total billed revenue for the year ended 31 December 2017 amounted to Rs.10.7 million while collected revenue amounted to Rs.9.3 million. arrears of revenue amounted to Rs.1.4 million and

in comparison to the preceding year the arrears of revenue collection had come down by 14.8 per cent.

2.2.4 Rental

Although the rental for 20 shops in the weekly fair and 08 shops in the bus stand had been collected on 2004 rental assessment, 2017 rental had not been collected according to the new assessment.

2.2.5 License Fees

Annual License should be issued to business entities according to the orders/instruction in Section 149 and 159 of Pradeshiya Sabha Act No.15 of 1987 and 1999 Gazette Notification of Democratic Socialist Republic of Sri Lanka of 23 December 2016, but license was not issued to 12 business entities in the year 2017 as such there was a shortfall of Rs.15,675 in license fees.

2.2.6 Court Fines and Stamp Duties

There was Court Fines and Stamp duties to be receivable from the Chief Secretary of the provincial Council and other authorities up to 31 December 2017 amounts to Rs.9,274,013 and Rs.6,012,556 respectively.

3. Operational Review

3.1 Performance

Facts revealed after the analysis of the execution of tasks by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act 1987 such as regulation of health of the public, common utility services and public road facilities and maintenance of people's prosperity, comfort and development are given below.

a) By-Laws

Although by-laws should be enacted for 30 issues according to the Section 126 Pradeshiya Sabha Act of 1987, by-laws were not enacted for 07 instances as at 31 December 2017.

b) Action Plan

An action plan for the year under review had not been prepared.

c) Solid Waste Management

Although an amount of Rs.9,228,219 had been spent for the construction of a compost yard in the years 2015 to 2017, the expected results of the project were not fulfilled.

d) Environmental Issues

In terms of the provisions of National Environmental Act No.47 of 1980 amended by No 56 of 1988 and Acts No.53 of 2000 and No 533/16 Gazette Notification of Democratic Socialist Republic of Sri Lanka dated 23 January 2008, an Environmental License should be obtained. Verification were not carried out and environmental licenses had not been issued for 27 enterprises.

e) Sustainable Development Goals

Due to the Council not being aware of 2030 agenda of Sustainable Development Goals, the global view of such purposes to enhance the living standards and health of the people living in the Council authority area had not been initiated even by 31 December 2017.

3.2 Management Inefficiencies

The following were observed.

- a) Action had not been taken to recover a sum of Rs.435,119 in respect of renting out the backhoe Loader for 227.91 machine hours in the year 2017.
- b) A normal fee of Rs.100 and Rs.300 for commercial purpose had been charged without fixing meter for 812 water connectors in 12 water projects within the authority area..

3.3 Human Resource Management

There were 04 vacancies and 24 excess cadre in the Council as at 31 December of the year under review.

3.4 Operational Inefficiencies

- a) Assessing the Rate.

Although actions had not been taken to Assess new rates after identifying developed areas to increase the revenue of the Council according to the Section 134(1) of Pradeshiya Sabha Act No.15 of 1987, new rates were not issued for 1,675 customers who were paying rates.

- b) Rent had not been assessed for every five years as per the Circular No.1980/46 of the Commissioner of Local Government dated 02 December 1987.

3.5 Procurement

3.5.1 Procurement Plan

A procurement plan for the Council had not been prepared for the year under review.

4. Accountability and Good Governance

4.1 Budget Control

When comparing the budgeted revenue and expenditure there were considerable variations were observed with the actual revenue and expenditure and it indicate that the budget had not been used as an instrument of Management Control.

5. Systems and Controls

Weaknesses observed in the audit had been informed to the Council time to time and special attention is needed in the following areas of control.

System -----	Weakness -----
a) Accounting	(i) Non-furnished evidence conforming balances. (ii) Not maintain registers.
b) Fixed Assets	(i) Not maintain the Asset register properly. (ii) Lack of deeds and Attribute Orders of lands and building. (iii) Not conducting annual survey of Land and Buildings.