

Athanagalla Pradeshiya Sabha

Gampaha District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Athanagalla Pradeshiya Sabha give a true and fair view of the financial position 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 statements

1.3.1 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) The Bailing machine valued at Rs.494,500 received as donation by the Sabha had not been brought to account.
- (b) The balances of key money of Rs.4,093,624 receivable on account of the lease of stalls at Veyangoada had not been included in the accounts.
- (c) The balance of creditors relating to 02 projects of the year under review had been understated by Rs.264,220.
- (d) The creditors account had been overstated by Rs.575,295 relating to 03 projects of the Sabha and by Rs.23,286 relating to 02 decentralized projects.
- (e) The final payments made for fencing the land around the 2017 Kalagedihena Prajamandala Building and to fix a gate amounted to Rs.218,752. However, this

had been brought to account as Rs.112,827, understating the Capital Expenditure in the accounts by Rs.105,925.

- (f) Although a provision for creditors amounting to Rs.5,235,187 had been made for 15 projects expected to be executed during the year under review by using the funds of the Sabha, the projects had not been commenced during the year under review. As a result, the Creditors and the Capital Expenditure Account had been overstated by similar amounts.

1.3.2 Unreconciled Accounts

Non-reconciliation of Rs.18,859,347 was observed between the balances of 03 items of revenue appearing in the accounts and the related balances in the schedules.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

- (a) Although the Sabha had spent Rs.1,664,911 to execute 03 projects as project proposals of the Ministry of Ports and Highways in 2013 and 2015, the amount concerned had not been reimbursed by the Ministry concerned.
- (b) Action had not been taken to recover the expenditure of Rs.49,500 incurred on behalf of the office of the Assistant Commissioner of Local government in 2016.

1.3.4 Lack of documentary Evidence for Audit

The register of fixed assets pertaining to 234 land and buildings valued at Rs.219,003,639 belonging to the Egodapotha sub office had not been furnished for audit.

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		

(i) Financial Regulation 371	125,546	Action had not been taken to settle advances ranging from 06 months to 05 years.
(ii) Financial Regulation 571(1)	-	A list of lapsed cheques had not been prepared at the end of very half year.
(iii) Financial Regulation 571(2)	3,920,597	Action had not been taken regarding balances of deposits over 02 years.
(b) Circular No.1980/46 of 31 December 1980 of the Commissioner of Local Government	-	Action had not been taken to assess the rent of stalls at least once in five years.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.53,964,007 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.34,568,027.

2.2 Financial Control

The sum Rs. 21 million which could have been utilized for development activities of the area Had been invested in 06 fixed deposits of 01 year's duration and 02 fixed deposits of 06 month's duration.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	18,909,000	35,427,575	30,751,450	26,372,753	18,151,000	18,308,551	19,817,026	21,696,628
Rent	14,916,000	17,373,089	18,325,021	6,392,095	9,160,000	17,114,512	18,743,140	7,344,028
Licence Fees	1,012,000	292,410	311,410	202,958	934,000	1,546,550	1,550,550	221,957
Other Revenue	69,196,000	69,928,143	24,643,077	126,813,288	73,345,000	108,075,102	87,427,875	81,528,223

2.3.2 Rates

According to the age analysis furnished by the Sabha, the arrears of revenue of Rs.22,071,199 as at 31 December 2017 included Rs.8,972,794 of 01 to 05 years, Rs.9,242,176 of 05 to 10 years and Rs.3,856,229 over 10 years. The Sabha had not taken action to recover these arrears.

2.3.3 Stall Rent

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- (a) The arrears due for over 10 years from 06 out of 50 pavement stall projects belonging to the Egodapatha sub office amounted to Rs.134,651 as at 31 July 2018. Meanwhile, the arrears due from 07 out of 48 stalls project for over 10 years amounted to Rs.883,682 while the arrears due from 27 stalls of the Veyangoda public market complex over 10 years amounted to Rs.4,093,626.
 - (b) The rent recoverable from 21 stalls remaining closed at the public market belonging to the Veyandgoda sub office as at 31 December of the year under review amounted to Rs.588,795 while the arrears due from stalls that remained open amounted to Rs.299,163.

2.3.4 Other Revenue

Environmental Licences

The number of businesses identified as businesses that should obtain environmental licences within the Athanagalla Pradeshiya Sabha area for the year 2017 were 177. But, 76 businesses only had obtained environmental licences during the 02 years 2016 and 2017.

2.3.5 Stamp Fees and Court Fines

The stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 July 2018 amounted to Rs.79,194,338.

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act. such as regularization and control of

matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

(a) Bye-Laws

Bye-laws were needed to be enacted to implement 30 main functions in terms of Section 126 of the Pradeshiya Sabha Act. But, bye-laws had been enacted for 17 functions only even by 31 December 2017.

(b) Action Plan

Action plan had not been prepared for 08 functions to be executed by the Sabha as per bye-laws enacted.

(c) Solid Waste Material Management

The total cost incurred on Solid Waste Material management during the year under review amounted to Rs.48,762,491. Of this, a sum of Rs.7,139,000 had been paid to the owner of the Veyangoda Dambuwawaththa where the non degradable garbage get disposed of, finally. Payments had been made on the basis of time without confirming the final quantity of garbage disposed of. There was no environmental licence for this place of disposal of garbage.

(d) Environmental Problems

Public complaints upto 31 December of the year under review included 91 complaints of tree cutting and 30 unauthorized constructions. Action had only been taken regarding 06 cases of tree cutting.

(e) Projects not executed

Out of the 522 projects obtained under various sources of provisions, 18 projects had not been executed even by 31 May 2018. Eight projects continued under the rural infrastructure facilities special programme.

(f) Sustainable Development Target

The Sabha had not prepared even by 14 June 2018 the long term plan for sustainable development target and the objectives in order to uplift the living standards of the public within the area of the Sabha through the global

indicators relating to sustainable development objectives and targets as per 2030 agenda of sustainable development.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Action had not been taken in terms of Financial Regulation 104 with regard to the theft of water motor valued at Rs.494,500. The loss had not been included in the register of losses and damages too.
- (b) The correctness of the balance of deposits amounting to Rs.35,228,024 shown in the financial statements as at 31 December of the year under review could not be confirmed in audit as entries had not been made in the General Deposits Account of the year under review and the previous years and due to non-reconciliation of accounts.
- (c) A register of advances had not been maintained for ad hoc advances. The advances paid to officers had been included in the register of debtors. As such, the debtors balance could not be confirmed.
- (d) A register of advertisements had not been maintained in any of the sub offices of the Pradeshiya Sabha. As such, paid advertisements could not be physically verified.

3.3 Human Resources Management

(a) Vacancies and Excesses in the Cadre

The information relating to the approved and actual cadre as at 31 December of the year under review appear below.

Grade	Approved Cadre	Actual Cadre	Vacancies	Excess
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Executives	03	03	-	-
Tertiary	06	06	01	01
Secondary	58	57	02	01
Primary	165	186	01	(25/2014) 20
	-----	-----	-----	-----
	232	252	04	22
	=====	=====	=====	=====

- (i) Four posts of revenue inspectors remained vacant during 2010 to 2015 and action had not been taken to fill the vacancies.
- (ii) Twenty employees to whom permanent appointments had been granted in terms of the Public Administration Circular No.25/2014 dated 12 November 2014 had not been included in the approved cadre.

(b) Employees' Loans

The balance of arrears of loans recoverable as at end of the year under review amounted to Rs.1,088,601 which included arrears of loans pertaining to 1990, 1993, 2001 and years prior to them. Action had not been taken to recover these employees' loan due from those who had gone on transfers and retirement from their death gratuity, retirement gratuity or sureties. The files concerned and the important particulars such as, the dates of stoppage of recovery, details of sureties etc., had not been furnished to audit.

3.4 Operating Inefficiencies

The following matters were observed.

- (a) Approval granted for construction plans during the year under review were 198 and compliance certificates had been issued for 05 only.
- (b) One per cent of the sales value of land sold in blocks should be recovered as tax in terms of Section 154(1) of Pradeshiya Sabha Act No.15 of 1987. However, recoveries had been made on the basis of valuation made by an officer of the Sabha.
- (c) About 20 stalls of the 48 project stalls constructed at Nittabuwa in 2008 had not been occupied and remained closed for about 10 years.

3.5 Assets Management

3.5.1 Safety of assets not Ensured

Action had not been taken with regard to misplaced library books valued at Rs.166,270 during the year under review and the misplaced library books valued at Rs.30,069 during 2016, as per board of survey.

3.5.2 Assets not Acquired

Land and buildings valued at Rs.3,205,221 included in the accounts had not been acquired by title deeds.

3.5.3 Idle Assets

Suitable action had not been taken with regard to fixed assets valued at Rs.752,561 which could not be used.

3.6 Contract Administration

- (a) Action had not been taken in terms of Paragraph 3.1 of the State Accounts Circular No.01/2012 of 05 January 2012 with regard to construction work entrusted to community based organizations on direct basis.
- (b) Instances were observed where action had not been taken to properly sign agreements by entering the dates and details while awarding contracts for projects. Two work for which agreements had been entered into in 2017 had not been commenced even by 10 April 2018 and the agreed period had lapsed on that date.

4. Good Governance and Accountability

Budgetary Control

The sum of Rs.10,825,000 estimated for 06 Objects had been entirely saved and 12 to 98 per cent of the remaining 06 objects too had been saved showing that the budget had not been utilized as an efficient instrument of management control.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of control.

System -----	Deficiency -----
(a) Accounting	Non maintenance of updated books of accounts and registers.

- (b) Assets and properties
 - (i) Non removal of assets from accounts which are not physically in existence
 - (ii) Lack of title deeds/vesting orders to confirm the ownership of assets.
- (c) Staff Administration
 - (i) Staff not regularized
 - (ii) Vacancies not filled.
- (d) Contract Administration
 - (i) Lack of preparation of proper estimates.
 - (ii) Lack of preparation of proper agreements.
- (e) Revenue Administration
 - (i) Non assessment of rates and rent of stalls
 - (ii) Increase in arrears of revenue
 - (iii) To call for tenders and award stalls that are now being under utilized.
 - (iv) Rates and percentage of tax not being revised.