

**Sithawaka Pradeshiya Sabha
Colombo District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 12 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 Sithawaka 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 matters were observed.

- (a) The buildings valued at Rs.78,835,788 constructed by the Sabha during 2013 to 2017 had not been brought to account.
- (b) Action had not been taken to identify the cost of goods sold on auction during the year under review so as to delete them from accounts.
- (c) The cost of the “Dambora” Thurunu Teaching Centre Building constructed in a land donated by a donor in 2014 and the value of the land had not been assessed and brought to account.

1.3.2 Contingent Liability

The owner of the entertainment garden established at the Kaluaggala village within the area of the Sabha had not paid entertainment tax. The Sabha had filed a case against this at the Avissawella District Court. The owner of the entertainment garden had also filed another case against the Sabha. The cases had not been settled upto 12 April 2018 and this had not been disclosed by a note in the financial statements.

1.3.3 Unreconciled Accounts

A difference of Rs.1,419,072 was observed between the balances in the financial statements presented for audit and the related subsidiary registers/schedules with regard to 03 items of accounts.

1.3.4 Accounts Receivable and Payable

Accounts Payable

House rent Deposits

Action had not been taken to settle the house rent deposits totalling Rs.157,261 payable to the house rent payers for the period 1989 to 2015.

1.3.5 Lack of Necessary Documentary Evidence for Audit

Non rendition of information for Audit

A list of names acknowledging receipt of 30 pairs of shoes valued at Rs.27,165 by the children of low income earning families within the Sithawaka Pradeshiya Sabha area had not been furnished for audit and as such this could not be satisfactorily vouched in audit.

1.3.6 Non-compliance

1.3.6.1 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) Public Administration Circular		

Paragraph 3.1 of the circular No.30/2016 of 29 December 2016	-	Consumption of fuel by vehicles of the Sabha had not been tested.

(b) Local Government Circulars

- | | | |
|--|---|---|
| (i) Circular of the Department of Local Government No.LGD/13/2016 of 09 November 2016 | - | The rent of stalls should be assessed at least every three years. However, the last assessment had been done in 2012. |
| (ii) Circular of the Commissioner of Local Government, Western Province No.LGD/08/2016 of 11 July 2016 | - | A committee had not been appointed to physically identify and to survey the land and building of the Sabha by a surveyor. |

(c) Other Circulars

- | | | |
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| Planning circular of the Urban Development Authority No.15 of 18 November 1993 | 3,236,906 | The balances of the Urban Development Authority Account had not been utilized for identified projects. |
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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. 45,556,388 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.18,247,988.

2.2 Revenue Administration

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

The 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.

Item 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	24,252,000	25,781,592	26,989,385	6,227,647	20,328,000	19,130,653	17,099,198	7,923,257
Rent	19,289,000	19,298,329	19,909,434	196,929	24,030,300	4,135,012	4,649,656	440,820
Licence Fees	2,002,000	2,148,631	1,700,450	-	2,026,800	1,663,045	1,663,045	-

2.2.2 Rates and Taxes

(a) Rates

The arrears of rates as at end of the year under review amounted to Rs.4,696,105 of which Rs.958,842 were arrears of previous years.

(b) Acreage tax

The arrears of acreage tax at the Padukka sub office as at 31 December 2017 amounted to Rs.178,980 of which Rs.127,250 was over 05 years.

2.2.3 Court Fines

The court fines due for the period July 2014 to December 2017 amounted to Rs.43,000,000

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.,

Sustainable Development Target

It was observed that the Sabha was unaware of the 2030 Agenda relating to sustainable development objectives.

3.2 Human Resources Management

(a) The approved cadre of the Sabha as at 31 December 2017 was 222 and there were 21 vacancies in the primary and secondary grades. Of the actual cadre of 265, 64 were substitute employees.

(b) **Employees' Loans**

Loan balances of Rs.500,910 were due from 05 retired employees by 31 December 2017.

3.3 Assets Management

Idle / Under utilized Assets

A tractor purchased for Rs. 850,000 on 25 July 2007 and 2 trailers purchased on 17 October 2007, the value of which could not be identified, remained under utilized at the Hanwella worksite.

4. Accountability and Good Governance

4.1 Budgetary Control

Significant variances ranging from 50 per cent to 100 per cent were observed during the comparison of recurrent and capital revenue / expenditure estimated by the Sabha for the year under review with the actual revenue / expenditure. Thus it was observed that the budget had not been utilized as an effective instrument of management control. Details appear below.

(a) The entire provision made for 34 objects amounting to Rs. 3,940,000 had been saved.

(b) Less than 50 per cent of the provision of Rs.101,059,000 had been spent on behalf of 23 objects.

4.2 Internal Audit

A lady officer of Grade I of the Management Services had been assigned with the duties of internal audit of the Sabha in 2017. However, the work had not been fulfilled. An internal audit plan too had not been prepared.

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) | Assets and Properties | Lack of maintenance of updated books and registers. |
| (b) | Internal Audit | Lack of internal audit. |
| (c) | Stock | Not entered in registers and irregular stock control. |
| (d) | Human Resources Management | Vacancies not filled. |