

**Ipalogam Pradeshiya Sabha
Anuradhapura District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit 29 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 02 July 2019 and the detailed management audit report had been submitted on 12 July 2019.

1.2 Unqualified Opinion

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Ipalogama Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Unqualified Opinion

(a) Accounting Deficiencies

Audit Observation

According to the register of court fines, the total amount of revenue for the year under review amounted to Rs. 6,396,503, but it had been stated as Rs. 5,806,085 in the financial statements stated that.

Recommendation

The income of each year should be correctly identified and accounted for. In case of non-identification, the it should be assessed, accounted for and disclosed.

Comments of the Accounting Officer

Accepted. In the ensuing years, action will be taken to obtain information from the Department of Provincial Revenue and correctly include the information pertaining to the year.

(b) Unreconciled Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
The outstanding garbage tax revenue of Rs.374,362 as at 01 January of the year under review had been included as opening balance of Rs. 462,012 of the financial statements of the year under review and as such, a difference of Rs. 87,650 was observed.	Differences of the relevant balances should be reconciled and made corrections.	Accepted. As the outstanding garbage tax balance of several institutitons had not been brought forward in the Garbage Tax Register as at 31.12.2017, the difference of Rs. 87,650.00.

(c) Lack of necessary documentary evidence for audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Since title certificates relevant to an item of account worht Rs. 108,031,668 had not been presented, it could not be satisfactorily verified in audit.	Necessary written evidence should be provide to prove the value set out in the financial statements.	Not replied.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules and regulations	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Section 2 (1) of the Motor Traffic Act (Cap.203)	A bulldozer and a tractor trailer had been run without registration.	Action should be taken in accordance with the Act.	Accepted. Action will be taken to register the bulldozer and tractor trailer this year.

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| (b) | Public Administration Circular No. 30/2016 dated 29th December 2016 of the Secretary to the Ministry of Public Administration | The fuel combustion test had not been performed. | Action should be taken in accordance with the Circular. | Accepted. Fuel combustion test will be performed from this year. |
| (c) | Treasury Circular No. IAI / 2002/02 dated 28 November 2002 | No separate fixed asset registry was maintained on computer accessories and software. | Action should be taken in accordance with the Circular | A separate document on computer accessories will be maintained from this year. |

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 5,544,143 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 5,119,587 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,307,700	1,582,937	1,241,763	803,187	1,450,800	1,333,457	1,137,300	374,362
Rents	982,680	1,269,600	1,201,930	147,100	1,654,680	1,647,180	914,740	79,430
Licence Fees	2,550,790	2,840,825	2,533,483	376,545	2,390,555	2,454,445	2,339,812	69,202
Other Revenue	5,585,936	9,706,963	11,786,029	7,845,664	4,330,000	8,465,690	8,506,038	5,756,681
	10,427,106	15,400,325	16,763,205	9,172,496	9,826,035	13,900,772	12,897,890	6,279,675

2.2.2 Performance in the revenue collection

Audit Observation

The total arrears of revenue of Rs. 6,279,675 as at 01 January of the year under review had been Rs. 9,172,496 by 31 December of the year.

Recommendation

Steps need to be taken to recover arrears.

Comments of the Accounting Officer

Accepted
It is stated that outstanding garbage tax of Rs. 133,400, stall rents of Rs. 60,360, stamp duty of Rs. 2,409,100 and outstanding court fines of Rs. 2,361,733 as at 31.05.2019 had been recovered.

2.2.3 Rates and Taxes

Audit Observation

- (b) In terms of section 134 (i) of the Pradeshiya Sabha Act no.15 of 1987, the developed areas of the Pradeshiya Sabha were not declared and the assessment tax was not levied.

Recommendation

Developed areas should be gazetted and action should be taken according to the Act.

Comments of the Accounting Officer

Accepted
Action will be taken to identify the developed areas and declare them in the Gazette and thereby recover the assessment tax .

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| (b) | The garbage tax revenue of Rs.803,187 should have been received from 375 locations for a period from one month to 86 months as at December 31 of the year under review. | Action should be taken to collect arrears of tax revenue. | Accepted.
A sum of Rs. 133,400.00 has been recovered from the garbage tax revenue as at 31.05.2019 and the relevant persons have been informed in writing to recover the arrears. |
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2.2.4 Other Revenue

----- Audit Observation -----

----- Recommendation -----

----- Comments of the Accounting Officer -----

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| (a) | The court fines that were due as of 31 December 2018 amounted to Rs. 4,175,464 and stamp fees amounted to Rs.3,670,200. | Action should be taken to recover the relevant revenue. | Accepted
Out of the outstanding court fines, a sum of Rs. 2,361,733.01 and out of outstanding stamp fees, a sum of Rs. 2,409,100.00 has been recovered and action will be taken to recover the balce amount this year. |
| (b) | A sum of Rs.16,618,915 remained receivable for 07 projects implemented by the Sabha. | If the relevant projects are completed, the money should be recovered promptly. | Accepted.
The Pradeshiya Sabha had not received funds for 16 projects implemented as at 31.12.2018. |
| (d). | A sum of Rs.14,855,432 was payable for 30 projects implemented by the Sabha. | If the project has been completed successfully and the liability period is over, the balance of payments should be settled. | Accepted.
It is noted that funds had not been received even as at 31.12.2018 to make payments for the contractors. |

03. Operating Review

----- 3.1 Performance -----

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people to be performed by the Council in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a). By-laws

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
By-laws had not been enacted under Section 126 of the Pradeshiya Sabha Act in order to carry out 28 main activities.	Action should be taken to enact by-laws.	Necessary action will be taken to enact by-laws.

(b). Action Plan

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
No annual action plan had been prepared.	Action Plan should be prepared.	Annual Action Plan will be correctly prepared and submitted the in the future.

3.2 Assets Management

3.2.1 Failure to document assets

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Six machinery items worth Rs. 253,600 had not been recorded in the Machinery Registers	Assets should be documented.	The relevant assets will be correctly recorded in the fixed asset registers and arrangements will be made to maintain the fixed asset registers properly.

3.2.2 Idle/Underutilized Assets

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Vehicles, machinery and equipment worth Rs. 2,245,520 had remained idle	A board of Survey should be appointed on assets and necessary action should be	Since the relevant assets are non-performing assets, action will be taken with the approval of the

for several years as at 31 December of the year under review.

taken either to use or dispose of the assets.

Commissioner of Local Government to dispose of them through a disposal board in future.

04 Accountability and Good Governance

----- Implementation of Audit and Management Committees -----

Audit Observation

Recommendation

Comments of the Accounting Officer

The Audit and Management Committees of the Sabha had not been held for the year under review.

Audit and Management Committees should be held.

Necessary action will be taken to hold Audit and Management Committees during this year