

**Padaviya Pradeshiya Sabha  
Anuradhapura District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented to the Audit 26 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 31 May 2019 and the detailed management audit report had been submitted on 12 July 2019.

**1.2 Qualified Opinion**

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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 Padaviya 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 Qualified Opinion**

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**(a). Accounting Deficiencies**

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The value of three water treatment plants amounting to Rs. 7,322,412 as at 31 December of the year under review built under 2018 Development Programs had not been brought to account.	Fixed assets need to be identified and accounted for.	Accepted. In preparation of future accounts, action will be taken to account for the same under the fixed assets.
(ii) No provision had been made for the audit fees for the year under review and the sum of Rs. 130,161 paid for the year 2017 during the year under review had been brought to account as expenditure for the year under review.	Provision should be made for expenses not paid for the financial year. Expenses should be accounted for on a financial year basis.	Accepted. Action will be taken to correct this in the ensuing year.
(iii) Pension gratuity of Rs. 599,730 payable as at 31 December of the	All liabilities recognized as of the financial statement	Accepted. Action will be taken to

	year under review had not been brought to account.	date shall be accounted for.	correctly state this by including in the accounts in the ensuing year.
(iv).	The power generator worth Rs.50,000 purchased in the preceding year had not been brought to account.	Fixed assets need to be identified and accounted for.	Accepted. In the previous years, the machines were accounted for in the respective years while combining their values.
(v).	The value of the LG 2044 water bowser truck owned by the pradeshiya sabha was not assessed and accounted for and the value of 17 boats at Rs.374,500 each had not been brought to account.	All assets should be identified and accounted for on the balance sheet date.	Accepted If the value of water bowsers and boats has not been accounted for, action will be taken to account for them in the year 2019.
(vi).	The Entertain Tax amounting to Rs. 150,000 received during the year under review had been stated as sundry deposits.	Action should be taken to identify the revenue relevant to the financial year and account for them correctly.	Accepted Action will be taken to correct this in the year 2019.
(vii).	The rental income of Rs.163,200 due from 04 stalls during the year under review had not been brought to account.	Action should be taken to identify the revenue relevant to the financial year and account for them correctly	Accepted Action will be taken to correct this in the year 2019.
(viii).	Stamp Duty Revenue receivable for the year under review had not been recognized and accounted for.	Action should be taken to identify the revenue relevant to the financial year and account for them correctly	Accepted Action will be taken to correct this in the year 2019.
(b)	Accounts Receivable and Payable ----- Audit Observation -----	Recommendation -----	Comments of the Accounting Officer. -----
(i)	The Stamp Duty, Nation Building Tax and Value Added Tax amounting to Rs.84,022 payable to the Commissioner of Inland Revenue which had been in	Action should be taken to settle the payable balances.	Action will be taken to send the total value in the ensuing year.

existence for more than five years in the financial statements had not been so remitted.

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| (ii)  | The creditors balance amounting to Rs. 1,806,537, which had been in existence in the financial statements for more than two years, had not been settled.  | Action should be taken to settle the payable balances.     | Action will be taken to settle the balances once the money is received.                      |
| (iii) | Action had not been taken to recover the industrial debtors balance of Rs. 1,448,564 which had been in the financial statements for more than two years as at December 31 of the year under review. | Action should be taken to recover the receivable balances. | The values receivable by the Sabha relating to the industries have not been received as yet. |
- (d) Lack of necessary written evidence for audit

Audit Observation

Recommendation

Comments of the Accounting Officer.

As title certificates, Board of Survey Reports, balance confirmation letters and detailed schedules relating to the seven items of accounts valued at Rs. 110,366,340. had not been furnished, those could not be satisfactorily verified in audit.

Written evidence should be provided to prove the value set out in the financial statements.

Documents will be prepared and submitted in 2019.

1.4 Non-compliance

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

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Employees Provident Fund Act No 15 of 1958	Six employees who had been paid salaries and allowances of Rs. 1,753,587 in the year under review were not	Action should be taken in accordance with the Fund Act.	Accepted. These six employees are registered with the Public Service Provident Fund No. 15 of 1958.

	registered with the Fund and not remitted their contributions.		Action will be taken to remit the relevant contributions from June 2019.
(b) Employees' Trust Fund Act No. 46 of 1980	Six employees who had been paid salaries and allowances of Rs. 1,753,587 in the year under review were not registered with the Fund and not remitted their contributions.	Action should be taken in accordance with the Fund Act.	These employees are not registered under the Employees' Trust Fund Act. Action will be taken to register and remit the contributions in the future.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka			
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i. F.R. 389	Action had not been taken according to the Financial Statements with regard to the checks that had been handed over.	Action should be taken according to the Financial Statements	Accepted. Although the check receiving document is in possession of the Sabha, it has not been updated for the year 2018.
ii F.R. 880	The securities had not been obtained in accordance with the Public Officers' Security Act.	Action should be taken according to the Financial Statements	Accepted. Action will be taken to obtain securities from all relevant officers in the future
(d) Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel combustion test had not been carried out on 121 vehicles.	Action should be taken in accordance with the circulars.	Action will be taken to do the test with the use of funds of the Sabha in the future.
(e) Public Administration Circular No.09/2009 dated 16 April	No finger scanners were used to confirm arrival and departure.	Action should be taken in accordance with the circular.	Action will be taken in accordance with the circulars in the future.

(f)	Treasury Circular IAI / 2002/02 dated 28 November 2002	No separate document on computers and computer accessories had been maintained.	Action should be taken in accordance with the circular.	The necessary information has been collected as per the circular and I will take steps to include it in a register.
(g)	Public Finance Circular No. 02/2015 dated 10 July 2015.	Action had not been taken to dispose of 02 dilapidated motorcycles and two tractors owned by the Sabha.	Action should be taken in accordance with the circular.	On May 13, 2019, the Mechanical Engineer has been informed to assess the vehicles and confirm the value.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the recurrent expenditure of the Sabha in excess of the revenue amounted to Rs. 1,208,442 for the year ended 31 December 2018 as compared with the corresponding recurrent expenditure in excess of the revenue amounting to Rs. 229,185 for the preceding year.

## 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	1050,000	1,091,230	1,091,230	-	550,000	416,200	346,200	35,790
Rents	3,461,800	3,042,219	3,042,219	-	2,964,600	2,558,085	2,570,685	(48,943)
Licence Fees	181,000	246,629	246,629	-	611,000	734,494	621,400	-
Other Revenue	1,108,500	1,319,227	988,782	976,572	1,920,000	888,098	2,167,016	816,017
<b>Total</b>	<b>5,801,300</b>	<b>5,699,305</b>	<b>5,368,860</b>	<b>976,572</b>	<b>6,045,600</b>	<b>4,596,877</b>	<b>5,705,301</b>	<b>802,865</b>

## 2.2.2 Court Fines and Stamp Duty

Audit Observations	Recommendation	Comments of the Accounting Officer
The Court fines and stamp duty receivable as at 31 December of the year under review amounted to Rs. 864,072 and Rs. 112,500 respectively.	Receivables should be recovered expeditiously.	Action will be taken to examine documents and recover that money.

## 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 Sabha 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 for the accomplishment of 28 main activities under Section 126 of the Pradeshiya Sabha Act	By-laws should be enacted in terms of Pradeshiya Sabha Act No.15 of 1987.	Not replied.

#### (b) Action Plan

Action Plan	Recommendation	Comments of the Accounting Officer
An Action Plan had not been prepared.	An Action Plan should be prepared.	Not replied.

(d). Sustainable Development Goals  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
The Sabha was unaware of the United Nations Agenda 2030 on Sustainable Development Goals.	Action should be taken in accordance with Sustainable Development Goals.	Accepted. United Nations Agenda 2030 on Sustainable Development Goals is being studied at present.

3.2 Management Inefficiencies  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Revenue licences and insurance certificates had not been obtained for 13 vehicles owned by the Sabha.	Required revenue licences and insurance certificates should be obtained	Due to lack of adequate money in transferring those vehicles to the Sabha, above requirement could not be fulfilled.

3.3 Human Resource Management  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There were 22 vacancies in 11 posts of the Sabha and the Management had not taken steps to fill those vacancies.	Employees vacancies should be fulfilled and thereby increased the operating efficiency.	In this connection, the Local Government Department and the North Central Provincial Public Service Commission have been infromed through the reports.

3.4 Operatin Inefficiencies  
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Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
In terms of Gazette Extraordinary No.1597/8 dated 17 April 2009 of the Democratic Socialist Republic of Sri Lanka, a sum of Rs.	Charges should be properly recovered from all the telecommunication transmission towers.	Accepted Future steps will be continued upon conducting a formal inspection.

216,000 due from 09 telephone/  
telecommunication transmission  
towers had not been recovered

### 3.5 Assets Management

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#### 3.5.1 Failure to Document Assets

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##### Audit Observation

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One hundred and seventy eight items of electric equipment and furniture of the Pilisaru Yard, theatre and the pre-school had not been identified and documented.

##### Recommendation

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Assets should be documented properly.

##### Comments of the Accounting Officer

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Accepted.  
Action will be taken to correct this in the future.

#### 3.5.2 Assets that had not been transferred

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##### Audit Observation

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(a) Necessary arrangements had not been made to take over the ownership of the land of 151 Acres 3 Roods and 15 Perches in extent occupied by the Sabha.

(b) Action had not been taken to transfer the ownership of 07 vehicles worth Rs. 40,674,684 awarded to the Sabha by the North Central Provincial Department of Local Government.

##### Recommendation

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All the lands used by the Sabha should be taken over in favour of the Sabha.

The all vehicles used should be transferred in favour of the Sabha.

##### Comments of the Accounting Officer

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The Divisional Secretary, Commissioner of Local Government and the District Land Officer have been informed in this connection. The Sabha lacks adequate funds to survey these lands.

The Sabha lacks adequate funds to transfere the relevent vehicles to the Sabha. Action will be taken to transfer them immediately after the receipt of money.



### 3.5.3 Idle/Underutilized Assets

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Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) As 02 trade stalls constructed at a cost of Rs. 4,599,315 in the year 2017 had not been leased, those stalls remained idle.	Action should be taken to lease out the stalls.	Lessees have not agreed to the assessed amount of Rs.25,000. It is informed that action will be taken to select a lessee by revising the assessment of the lease.
(b) The bakery production equipment worth Rs. 814,000 granted to the Pradeshhiya Sabha in the year 2007 had not been used even up to the year under review.	Action should be taken to lease them annually or to take over.	Applicants have not come forward to lease the rice flour set. Although the Chief Ministry of the North Central Province has been informed to take back the above set, there is no response to that request.
(c) The water project that was constructed in 05 statges from the year 2011 up to the year under review by spending Rs. 11,063,978 had remained idle without being utilized.	Work on the water project should be completed and utilized it immediately.	Due to the lack of an adequate source of water for the people of the area, a tube well was constructed by the Water Board in 2018. Action has been taken to make allocations to complete the remaining works in the year 2019. Action will be taken to provide drinking water to the people by this project.
(d). A tractor and a Cab worth Rs.3,997,366 had remained idle without being used for omore than a period of year.	Action should be taken to reaire and use the unused vehicles or dispose of them.	Necessary steps will be taken to use the RD-9451 tractor and repair the Cab in the future.

3.6 Procurement  
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3.6.1 Procurement Plan  
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Audit Observation  
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An Annual Procurement Plan for the year 2018 had not been prepared.

Recommendation  
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A Procurement Plan should be prepared.

Comments of the Accounting Officer.  
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Accepted.  
Action will be taken to prepare the plan in the future.