

Rajanaganaya Pradeshiya sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 28 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 09 July 2020 and 04 September 2020 respectively.

1.2 Unqualified Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Rajanganaya Pradeshiya Sabha as at 31 December 2019 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 -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Although the revenue from court fines and warrant fees for the year under review was Rs. 3,577,920, it had been stated in the financial statements as Rs. 3,296,906, thus understating by Rs. 281,014.	Action should be taken to identify and account for the correct income for the year.	Agree
(ii) Although the court fines and warrant fees due on 31 December of the year under review amounted to Rs. 2,920,420, it had been understated by Rs.283,334 and stated as Rs. 2,637,086 in the financial statements.	Action should be taken to identify and account for the correct income due on 31 December of the year under review.	Agree
(iii) Motor vehicles and carts valued at Rs.1,947,000 had been stated as office equipment in the financial statements.	Action should be taken to account under the relevant classification.	Agree.

(b) Unreconciled Account

Audit Observation

Recommendation

Comment of the
Accounting Officer

As at 31 December of the year under review, the industrial creditors amounted to Rs. 18,086,083 according to the financial statements and it was Rs.18,220,350 according to the industrial creditors register. Accordingly, there was a difference of Rs. 134,267.

Action should be taken to correct the accounts by reconciling differences in the relevant balances.

Agree.
This difference was due to the non-addition of Rs.134,267 to the balance of the Industrial Creditors Schedule for the year under review.

(c) Balance Receivable and Payable

Audit Observation

Recommendation

Comment of the Accounting Officer

(i) Six account balances amounting to Rs. 2,341,177 had been in existence for more than 03 years as at 31 December of the year under review.

Action should be taken to recover the account balances due.

With the approval of the Hon. Governor / Minister in charge of the subject, action will be taken to write off it in the future.

(ii) The payable stamp duty of 1,248,788 as on 31st December of the year under review had continued to exist for a period of more than 03 years.

Arrangements should be made to remit the relevant funds to the Inland Revenue Department.

A decision was taken in accordance with Resolution No. 186-2019 to remit the stamp duty balance of Rs. 1,248,788 that remained for more than 03 years to the Inland Revenue Department. It was noted to pay off a part of that amount in this year according to the funds received by the Sabha Fund.

(d) Lack of Necessary Documentary Evidence for Audi

Audit Observation

Recommendation

Comment of the
Accounting Officer

No credible evidence had been presented in respect of 06 items of accounts valued at Rs. 249,793,087.

Evidence confirming the account balance shown in the financial statements should be furnished.

Agree

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations, and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
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(a) Sub-section 16 (2) of the National Audit Act No. 19 of 2018	The annual performance report had not been submitted together with the financial statements.	Action should be taken in accordance with the circular instructions.	Not commented.
(b) Pradeshiya Sabha (Financial- and Administrative) Rules, 1988			
----- Rule 5.11	An insurance coverage had not been taken for cash in transits and other valuables owned by the Sabha.	Action should be taken in accordance with the Pradeshiya Sabha Rules.	Agree. Action will be taken to obtain insurance coverage for cash in transits from the year 2020.
(c) Ministry of Local Government Reforms Circular No. PL 07/01/53 dated 14 November 2006			
----- Paragraph 2.2 (iii) of No.06	A continuous road maintenance system had not been followed.	A road maintenance system should be followed as per the circular.	Agree. Action will be taken to follow a continuous road maintenance system in the future.
	The maximum load that could be carried on the roads belonging to the church had not been displayed.	Action should be taken in accordance with the circulars.	Action will be taken accordingly in the future.

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.1,352,148 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs.8,296,376 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	1,070,000	1,675,500	1,675,500	-	2,409,400	1,558,592	1,558,592	-
Lease Rent	7,804,934	7,290,355	7,288,105	123,000	3,648,200	7,272,191	7,190,991	120,750
Licence Fees	249,100	328,700	328,700	220,425	966,100	144,480	144,480	220,425
Other Income	20,851,061	21,072,720	20,357,443	4,966,586	26,245,874	20,268,346	31,831,684	4,251,309
Total	<u>29,975,095</u>	<u>30,367,275</u>	<u>29,649,748</u>	<u>5,310,011</u>	<u>33,269,574</u>	<u>29,243,609</u>	<u>40,725,747</u>	<u>4,592,484</u>

2.2.2 Rates and Taxes

Audit Observation

In terms of Section 134 (i) of the Pradeshiya Sabha Act No. 15 of 1987, no action had been taken to identify the developed areas in the Sabha area and recover rates.

Recommendation

Action should be taken to recover rates in developed areas.

Comment of the Accounting Officer

Agree
Necessary arrangements for the imposition of rates and taxes are currently in progress.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
The arrears of stall rents as on 31 December of the year under review was Rs. 123,000.	Action should be taken to recover the arrears income.	Agree. A sum of Rs. 107,500 has been collected from the outstanding stall rent of Rs. 123,000 at present. Action is being taken to recover the remaining arrears of Rs. 15,500.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
No action had been taken to recover the outstanding license fee revenue of Rs.220,425 as at 31 December of the year under review.	Action should be taken to recover the relevant revenue.	Agree. The balance of Rs. 220,425 which is in arrears cannot be identified in the relevant individual balance sheet documents and as such, action is being taken to write off it in the future.

2.2.5 Court Fines and Stamp Duty

Audit Observation	Recommendation	Comment of the Accounting Officer
The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs. 2,637,086 and Rs. 2,329,500 respectively.	Action should be taken to recover the relevant arrears of revenue.	Agree Out of the receivable court fine and stamp duty balances, the balance of court fine due for the year 2019 has been received in full. Steps are currently underway to recover the stamp duty balance at present.

3. 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 in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a) By-laws

Audit Observation

Recommendation

Comment of the Accounting Officer

Although by-laws should be enacted under Section 126 of the Pradeshiya Sabha Act to fulfil 28 key functions, by-laws had not been enacted for relevant matters as at 31 December 2019.

Action should be taken to impose by-laws in accordance with the relevant sections of the Act.

Ten by-laws have been enacted. Action will be taken to impose the remaining by-laws in the future.

(b) Sustainable Development Goals

Audit Observation

Recommendation

Comment of the Accounting Officer

The Sabha was aware of the Sustainable Development Agenda 2030, whereas it had not set targets accordingly and formulated programmes.

According to the Sustainable Development Agenda 2030, targets should be set and programmes should be prepared.

Agree.

3.2 Management Inefficiencies

Audit Observation

Recommendation

Comment of the Accounting Officer

The unpaid pension as on December 31 of the year under review was Rs.188,856.

Money should be remitted to the Department of Pensions.

It was noted to present the schedules for the unpaid pension balance of Rs. 188,856 after receiving the balance sheets lists.

3.3 Human Resource Management

Audit Observation

Recommendation

Comment of the Accounting Officer

The debt balance that remained recoverable over a number of years from 10 officers who had been transferred and 04 officers who had been interdicted was Rs.613,137.

Action should be taken to recover the relevant debt balances.

Debts are being recovered monthly from those who have been transferred and since the balance of the others has been in existence for many years, action has been taken to obtain the approval of the Sabha to write off it through the Minister in charge of the subject.

3.4 Transactions of Contentious Nature

Audit Observation

Recommendation

Comment of the Accounting Officer

The value of fixed assets amounting to Rs. 137,171,454 as at 01 January of the year under review had been stated as Rs. 321,721,100 in the financial statements on the valuation of a committee appointed by the Sabha and as such, value of the fixed assets had increased by 235 per cent.

A committee consisting of officers with knowledge of property valuation should be appointed and assessments should be made accordingly.

Agree.
Due to the delay in the assessment by the Valuation Department, assets valuation has been done by appointing a committee.

3.5 Assets Management

3.5.1 Non-acquisition of Assets

Audit Observation

Recommendation

Comment of the Accounting Officer

Two vehicles valued at Rs. 18,849,179 used by the Sabha had not been taken over as at 31st December of the year under review.

Action should be taken to take ownership of these vehicles.

Arrangements are being made to take over these two vehicles.

3.5.2 Idle/Underutilized

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The Photon tractor worth Rs. 2,655,318 received by the Sabha in 2016 had not been used for several years.	If there is a usable condition, it should be repaired and used.	Due to lack of spare parts, it could not be repaired. It is expected to be repaired and utilized by the year 2020.
(b) The cab, which was in a state of dysfunctional at the Sabha premises, had not been repaired, used or disposed of.	If it is not usable, it should be disposed of.	The disposal is expected be carried out in the year 2020.
(d) A tractor trailer worth Rs. 370,000 and a water bowser worth Rs. 270,000 remained dysfunctional.	If it is not usable, it should be disposed of.	The disposal is expected be carried out in the year 2020 on a formal approval.

04. Accountability and Good Governance

Internal Audit

Audit Observation

There was no evidence whatsoever to the effect that the Internal Audit Officer, who is directly responsible under Section 06 of the North Central Local Government Commissioner Circular No. 2015/04 dated 18 March 2015, had been appointed and the reports had been obtained.

Recommendation

An Internal Audit Officer should be appointed and reports should be obtained.

Comment of the Accounting Officer

Agree.
Action will be taken to appoint an Internal Audit Officer and obtain reports in the future.