

**Pelmadulla Pradeshiya Sabha**  
**Ratnapura District**

**1 Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2019 had been presented to audit on 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 24 June 2020.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Pelmadulla 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 Qualified Opinion**

	<b><u>Audit Observation</u></b>	<b><u>Recommendation</u></b>	<b><u>Comments of the Accounting Officer</u></b>
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(a)	The balance of the general stores stocks account and the general stores premix account, totalling Rs.480,930 had not been identified and settled and as such the current assets had been overstated by similar amount.	The existence of the assets should be confirmed and the relevant adjustments should be made.	That will be rectified in preparing final accounts of the year 2020.
(b)	Action had not been taken to identify and to eliminate from the assets accounts the cost of 35 items of goods which had been auctioned for a sum of Rs.46,089 during the year under review.	The cost of the assets disposed should be eliminated from the accounts.	Action will be taken to eliminate the cost of the goods.
(c)	A difference of Rs.1,218,865 was shown between the balance of rates according to the financial statements and according to the Register of rates.	Financial statements and the subsidiary registers should be reconciled.	That will be rectified in preparing financial statement for the year 2020.

#### 1.4 Non-compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b> -----	<b>Non-compliance</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	Action had not been taken on lapsed miscellaneous deposits and works deposits totalling Rs.588,024.	Action should be taken in terms of Financial Regulations.	The balance deposits remained are being identified at present and further action will be taken thereon.
(b) Public Administration Circulars (i) Circular No.30/2016 dated 29 December 2016. paragraph 3.1	Fuel consumption tests of 02 vehicles belonging to the Sabha had not been carried out.	Fuel consumption tests should be carried out in terms of provisions of Circulars.	Fuel consumption tests of those vehicles will be carried out in future.
(ii) Circular No.02/2018 dated 24 January 2018.	The performance agreements that should be signed annually for the staff had not been signed.	Action should be taken in terms of the Provisions of Circulars.	Action will be taken to prepare performance agreements from next year.
(c) National Budget Circular No.02/2017 dated 25 July 2017.	Output indicators and main performance indicators relating to the output of the institutional role had not been identified.	Respective indicators should be identified in terms of the provisions of circulars.	Action will be taken to complete those activities within next year.

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| (d) | Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018. | The Sabha had failed to establish required facilities to provide opportunities for applying services through internet for the client. | Action should be taken in terms of the provisions of Circulars and to be provided required facilities to the client. | Initial actions had been commenced to create a web-site for the Pradeshiya Sabha at present. |
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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 2019 amounted to Rs.885,672 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.52,068,201.

**2.2 Financial Control**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
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(a) Action had not been taken in respect of unbanked cash, cheques and remittances totalling Rs.526,362 relating to the years 2003 and 2004.	A proper investigation should be made and settle the unbanked cash, cheques and remittances.	A part of above cash had been identified at present and action will be taken further to identify the balance cash and to settle.
(b) Debits amounting to Rs.109,562 relating to prior years had not been identified and settled.	Action should be taken to rectify the errors made in preceding years.	A part of above cash had been identified at present and action will be taken further to identify the balance cash and to settle.
(c) A sum of Rs.149,734 credited to the bank during the period from the year 1993 to 2006 had not been identified and the relevant adjustments had not been made in the cash book.	Action should be taken to rectify the errors made in preceding years.	A part of above cash had been identified at present and action will be taken further to identify the balance cash and to settle.

**2.3 Revenue Administration**

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

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2019				2018			
	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	6,815,863	6,738,707	7,313,290	5,278,669	6,830,252	2,538,595	6,259,218	6,301,614
Lease Rent	3,588,550	3,512,435	4,619,846	1,382,872	2,586,000	825,945	2,019,230	1,922,358
Licence Fees	632,500	660,439	660,439	295,155	565,500	2,947,167	715,008	295,155
Other Revenue	<u>20,003,000</u>	<u>25,469,990</u>	<u>35,943,302</u>	<u>26,544,649</u>	<u>14,136,800</u>	<u>42,423,381</u>	<u>15,450,862</u>	<u>22,093,951</u>
	<u>31,039,913</u>	<u>36,381,571</u>	<u>48,536,877</u>	<u>33,501,345</u>	<u>24,118,552</u>	<u>48,735,088</u>	<u>24,444,318</u>	<u>30,613,078</u>

### 2.3.2 Rates and Taxes

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

##### (a) Rates

The balance of arrears of rates amounting to Rs.3,674,335 as at the end of the year under review had included a sum of Rs.1,561,292 older than 05 years.

Prompt action should be taken to collect revenue receivable to the Sabha.

The posts of Revenue Administrator had remained vacant up to the year 2019. Action will be taken in future to recover arrears methodically.

##### (b) Acreege Tax

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

The balance of arrears of acreege tax amounting to Rs.64,015 as at 31 December 2019 had included a sum of Rs.53,774 receivable from 57 units which remained for over 05 years.

Prompt action should be taken to recover revenue receivable to the Sabha.

The old lands from which recovered acreege tax had been fragmented at present and as such there is an issue to recover arrears of acreege taxes.

### 2.3.3 Licence Fees

#### Environmental Licences

#### Audit Observation

#### Recommendation

#### Comments of the Accounting Officer

As action had not been taken in respect of 07 industries which did not renew the environmental licences, a revenue of Rs.28,000 had been deprived.

Action should be taken to issue licences in accordance with the formal procedure for all institutions which should obtained licences.

The respective institutions had been informed in writing to renew the licences. A survey is being carried out at present.

### 2.3.4 Court Fines and Stamp Fees

#### **Audit Observation**

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The court fines receivable as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.3,263,042 and the stamp fees receivable for first half of the year 2019 amounted to Rs.7,670,120. The stamp fees receivable for the second half of the year 2019 had not been identified even by March 2020.

#### **Recommendation**

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The required actions should be taken to collect revenue receivable to the Sabha.

#### **Comments of the Accounting Officer**

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Action will be taken to recover respective amounts immediately after receiving the registers.

### 3. Operating Review

#### 3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and Public roads and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

#### (a) Solid Waste Management

##### **Audit Observation**

##### **Recommendation**

##### **Comments of the Accounting Officer**

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(i) Waste tax of Rs.382,380 had remained receivable by December 2019. Further, the legal action could not be taken against 02 institutions which defaulted the payment of waste charges for a long term due to not entering into a formal contract.

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Required action should be taken to recover revenue receivable to the Sabha.

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Action will be taken to recover arrears in 03 installments as per the decisions of the General meeting.

(ii) The Sabha had failed to construct the waste water treatment unit and solid waste storage center in the Solid Waste Management Centre which had been planned to construct according to the Annual Action Plan.

Action should be taken to allocate required provisions and to execute the plans.

Those activities will be commenced immediately after receiving the relevant provisions.

**(b) Sustainable Development Goals**

**Audit Observation**

**Recommendation**

**Comments of the  
Accounting Officer**

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Even though, the Sabha had aware in respect of the 2030 Agenda of Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by December 2019.

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Sustainable Development plans should be prepared and executed.

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The plans had been prepared for the year 2020.

**3.2 Human Resources Management**

**Audit Observation**

**Recommendation**

**Comments of the Accounting  
Officer**

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**(a) Vacancies and Excesses of staff**  
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(i) The post of Secretary had remained vacant from June 2013 and the officers are being assigned on acting basis thereon. Similarly, one post of Revenue Inspector had remained vacant from November 2017.

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Required action should be taken to fill vacancies of the posts.

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The Department of Local Government and the office of the Chief Secretary had been informed in respect vacancies.

(ii) Two posts of pre-school teacher, 01 post of works/ field overseer and 01 post of electrical technician included in the approved cadre had remained vacant.

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Required action should be taken to fill vacancies of the posts.

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The Department of Local Government and the Office of the Chief Secretary had been informed in respect vacancies.

**(b) Staff loans**  
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The balances of loans relating to 23 officers remained outstanding for over 10 years totalling Rs.112,651 had not been recovered.

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Action should be taken to settle the loans.

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Required action is being taken to write off these loans.

### 3.3 Operating Inefficiencies

#### Audit Observation

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Action had not been taken either to remove or to regularize 05 unauthorized constructions identified during the year under review.

#### Recommendation

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Action should be taken in terms of the provisions of the by-law.

#### Comments of the Accounting Officer

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Action will be taken in future in respect of the issues which should be solved by legal action.

### 3.4 Assets Management

#### Failure to Perform Maintenance and Repairs

#### Audit Observation

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Even though a tractor belonging to the Sabha, had been sent to the Development Construction and Machinery Authority for repairs on 05 February 2018, the repairs had not been made.

#### Recommendation

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The maintenance and repair works should be executed properly and within the due period.

#### Comments of the Accounting Officer

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The reminders had been referred to the respective institution in several times thereon.

### 3.5 Irregular Transactions

#### Audit Observation

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The loan advances totalling Rs.1,540,000 had been granted to 34 Public Representatives without an authority given by the Pradeshiya Sabha Act or any other written law or a Circular.

#### Recommendation

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No provision thereon had been made under Pradeshiya Sabha Act or any other written law.

#### Comments of the Accounting Officer

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These loans had been granted to Public Representatives with the approvals of the Hon. Council and the pricing committee subjected to recovery of a 04 per cent interest and on the basis of recovery by 10 installments.

## 4. Accountability and Good Governance

#### Unresolved Observations

#### Audit Observation

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A cab vehicle provided by the Ministry of Finance and Planning in the year 1993 was decayed even could not be repaired. But action had not been taken to clear the problem remained in respect of its ownership and to dispose.

#### Recommendation

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The problems in respect of the ownership should be cleared and should be disposed formally.

#### Comments of the Accounting Officer

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These matters has been referred to the Commissioner of Local Government for instructions. As this cab vehicle was remained in a condition that could not be utilized, the letters had been referred to the Mechanical Engineer for instructions in respect of handing over the vehicle to the Machinery Institution, Kuruvita.