

Pannala Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 30 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Pannala Pradeshiya Sabha 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) Even though a sum of Rs.13,484,855 mentioned as a debit to the accumulated fund and a credit to the other debtors account by a journal entry, the respective ledger accounts had been debited and credited by understating a sum of Rs.534,372.
- (b) Employees security deposits investments had been understated by Rs.40,286 in the accounts.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) The differences of Rs.2,506,751 was shown between the arrears of revenue of 07 items of accounts and the balances appearing in the registers as at 31 December 2017.
- (b) A difference of Rs.2,486,500 was shown between the cost of 05 motor vehicles accounted in the fixed assets and the value recorded in the log books of those motor vehicles.

- (c) According to the stamp fees register as at 31 December of the year under review, the arrears of stamp fees amounting to Rs.55,684,198 had been brought to account as Rs.17,197,897 in the financial statements.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

Action had not been taken to recover a sum of Rs.2,056,152 remained in arrear between 01 year and 03 years and a sum of Rs.2,056,152 remained in arrear for over 03 years, out of the receivable accounts amounting to Rs.108,659,356 as at 31 December 2017 and an age analysis relating to the balances totalling Rs.61,564,923 had not been furnished.

(b) Accounts Payable

The age analysis in respect of the balances of Rs.33,113,516 out of the payable accounts amounting to Rs.123,706,711 as at the end of the year under review had not been furnished and a balance of Rs.14,033,139 had not been settled for over 03 years.

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

In terms of Public Administration Circular No.29/30 dated 29 December 2016, the fuel consumption of the motor vehicles had not been tested.

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.32,142,497 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.106,766,382.

2.2 Revenue Administration

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

The information with regard 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	2017				2016			
	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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	9,421	11,220	12,182	2,587	8,466	10,035	10,261	2,934
(ii) Lease Rent	22,310	21,464	22,238	4,128	21,419	19,848	19,447	1,703
(iii) Licence Fees	1,385	1,384	1,384	-	1,385	1,284	1,284	-
(iv) Other Revenue	129,320	116,031	113,915	56,608	122,912	189,081	187,689	89,157
Total	162,436	150,099	149,719	63,323	154,182	220,248	218,681	93,794

Note :

Out of the arrears of revenue of Rs.93 million as at 01 January of the year under review, a sum of Rs.2.9 million was included in the revenue collected of the year under review.

2.2.2 Performance in collection of Revenue

The revenue billed for the year under review amounted to Rs.150 million while a sum of Rs.149 million out of Rs.243.7 million including the arrears of revenue of the preceding years amounting to Rs.93.7 million had been recovered in the preceding year. The arrears of Rs.93 million as at 31 December of the preceding year had been Rs.63 million as at 31 December of the year under review. It was observed that the values furnished by the Sabha relating to the revenue control had not agreed with the accounts.

2.2.3 Rates and Taxes

Most of the arrears of rates and acreage tax amounting to Rs.2,587,054 recoverable as at 31 December of the year under review had been the balance of arrears relating to the preceding years.

2.2.4 Lease Rent

The recoverable lease rent as at 31 December of the year under review amounted to Rs.4,128,238 and it was increased by 142 per cent as compared with the arrears of preceding year.

2.2.5 Court Fines and Stamp Fees

The court fines and stamp fees receivable as at the end of the year under review from the Chief Secretary of the Provincial Council amounted to Rs.19,001,680 and Rs.17,197,897 respectively.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of 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) **By-laws**

Even though, the by-laws should be imposed to execute 30 major matters under Section 126 of the Pradehiya Sabha Act, the by-laws for 10 matters only had been imposed by 31 December 2017.

(b) **Solid Waste Management**

The bio degradable waste had been separated from the daily collection of waste about 05 tones and had been produced fertilizer. As the bail machines were not made available in the Sabha to produce fertilizer a timber box had been utilized for the above purpose.

(c) **Sustainable Development Goals**

According to the 2030 Agenda in respect of the Sustainable Development objectives, the provisions had been made in the annual budget of 2017 for environmental activities and to upgrade child and maternal health and for women programmes.

3.2 Management Inefficiencies

Issuing of receipt books and receiving of counter foil books had not been carried out properly.

3.3 Human Resources Management

The following matters were observed.

- (a) The vacancies had existed in the posts of Secondary, Tertiary and Primary Level posts as 01, 16 and 16 respectively while the excesses in the posts of Senior, Secondary and Primary Levels as 01, 20 and 01 respectively had existed. Eight employees had been deployed on casual basis for the primary level posts.
- (b) A balance totalling Rs.56,510 had to be recovered from 16 employees who transferred out, interdicted, vacated of posts and as not mentioned any reason.

3.4 Operating Inefficiencies

The following matters were observed.

- (a) The processing charges from 06 telecommunication transmission towers constructed after the year 2009 had not been recovered.
- (b) The business tax had not been recovered from the finance institutions in the authoritative area of the Sabha.

3.5 Assets Management

3.5.1 Assets not Recorded

Two electric fans and a water motor purchased in the year under review had not been included in the registers.

3.5.2 Idle/ Underutilized Assets

Action had not been taken either to repair and to utilize or to dispose of the 07 items of assets belonging to the Sabha.

3.5.3 Identified Losses

The shortage of library books valued at Rs.187,288 had not been recovered from the responsible parties.

3.5.4 Motor Vehicle Utilization

- (i) The running charts of 06 motor vehicles relating to the period from January to December 2017 had not been furnished to audit.
- (ii) Contrary to the instructions of the Public Administration Circular No.29/30 dated 29 December 2016, in repairing of 02 motor vehicles without being examined the vehicle by dismantling into parts a sum of Rs.280,850 had been paid for extra works exceeding the contractual amount

3.7 Procurements

3.7.1 Supplies and Services

The purchases amounting to Rs.496,235 had been made contrary to the provisions of the Guideline 3.4(f) of the Procurement Guidelines.

3.7.2 Contract Administration

Even though the laying stones and laying bitumen for Kudahera Welpalla and Eliwila Nelum Pokuna roads of which the contractual value amounting to Rs.1,953,115 and Rs.2,154,408 respectively should be completed in terms of the agreement by 19 October 2017, it was not completed even by March 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

A sum of Rs.3,616,254 had been incurred exceeding the net provisions of 03 Recurrent objects in the year under review while the total of Capital Objects amounting to Rs.125,368,594 had not been utilized.

4.2 Internal Audit

Other duties also had been assigned to the 04 officers of the staff attached to the Internal Audit Unit. The copies of 04 internal audit queries issued in the year under review had not been furnished to the Auditor General.

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 controls.

System	Deficiency
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(a) Accounting	(i) Failure to identify the correct value and to account the fixed assets. (ii) Posting errors in the accounts.
(b) Assets/ Properties Control	(i) Not recorded (ii) Existence of idle/ Underutilized Assets.
(c) Revenue Control	Non-recovery of arrears of revenue.
(d) Supervision of Projects/ Contracts	Non-availability of adequate supervision.