

**Rideegama Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been submitted to the audit on 29 March 2018 and the Auditor General's report on those financial statements had been sent to the Chairman on 19 October 2018.

1.2 Qualified Opinion

In my opinion, except for the effect 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 Rideegama 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) Expenditure on fuel amounting to Rs. 269,471 payable relating to the months of November and December of the year under review had not been brought to account.

- (b) Recovery of employees loan amounting to Rs. 68,750 had not been brought to account.

1.3.2 Accounts Receivable and Payable

The following matters were observed.

- (a) Accounts Receivable

Of balance receivable amounting to Rs. 64,910,697 as at 31 December of the year 2017, a sum of Rs. 7,592,632 remained outstanding for more than a period of one year.

- (b) Accounts Payable

Of balance payable amounting to Rs. 43,843,359 as at 31 December of the year 2017, a sum of Rs. 7,771,534 remained unsettled for more than a period of one year.

1.3.3 Lack of necessary written evidence for audit

As necessary information had not been made available, 02 items of accounts totalled Rs. 10,972,082 could not be satisfactorily vouched in audit.

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

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

Reference to laws, rules, regulations and management decisions	Value	Non-compliance
	Rs.	
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka		
(i) Financial Regulations 570 and 571	125,000	Action had not been taken on 02 unclaimed deposits.
(ii) Financial Regulation 715 (2)	709,380	Stock items belonging to various categories had been retained in the Stores for a number of years without being utilized.
(iii) Financial Regulation 750	-	State emblem had not been stenciled on the motor vehicles owned by the Sabha.
(b) Government Procurement Guidelines 2006		
Guideline 3:4:2 (a)	977,320	The procurements carried out during the period from January to September 2017 had not been in conformity with the Government Procurement Guidelines.

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. 17,727,479 for the year ended 31 December 2017 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 13,591,345 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	<u>2017</u>				<u>2016</u>			
	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	3,083	3,777	3,358	2,904	2,565	2,478	2,791	2,485
(ii) Rents	4,917	5,635	5,466	553	4,487	4,694	4,765	385
(iii) Licence Fees	1,683	1,612	1,718	171	1,182	1,612	1,704	276
(iv) Other Revenue	77,322	69,535	69,531	37,390	75,453	67,095	54,593	37,382
Total	87,005	80,559	80,073	41,018	83,687	75,879	63,853	40,528

Note

The revenue collected for the year under review included a sum of Rs.29 million raised relative to the preceding years.

2.2.2 Performance in the Collection of Revenue

Out of the estimated revenue of Rs.87 million of the year under review, Rs.80 million had been billed and Rs.80 million had been raised along with the receipts of outstanding amounting to Rs.29 million relating to the preceding years. The outstanding revenue of Rs.40 million as at 31 December of the preceding year had been Rs.41 million by the end of the year under review.

2.2.3 Rates and Taxes

The following matters were observed.

(a) Out of assessment income to be recovered totalling Rs. 5,460,127 together with the arrears as at the beginning of the year under review and the billing of the year, a sum of Rs. 2,750,037 or 50 per cent only had been recovered. A sum of Rs. 2,656,075 remained recoverable by the end of the year under review.

(b) Acreage Tax

Of the outstanding acreage tax of Rs. 240,204 as at the beginning of the year under review, a sum of Rs.17,034 equivalent to 07 per cent only had been recovered and Rs. 248,359 further remained recoverable as at 31 December of the year under review.

2.2.4 Rents and Stall Rents

The following matters were observed.

(a) Action had not been taken to recover the lease rent of Rs. 307,915 receivable for leasing of assets from the year 2011 to 2015.

(b) A sum of Rs. 48,360 remained recoverable from the year 1988 to 2013 relating to the trade stalls of the Rideegama Public Market.

2.2.5 Licence Fees

Action had not been taken to recover the outstanding licence fees revenue of Rs. 170,935 that remained relating to the previous years.

2.2.6 Courts Fines and Stamp Duty

Courts Fines and Stamp Duty of Rs. 2,573,753 and Rs. 24,715,895 was respectively due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017.

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 PradeshiyaSabhas Act, are as follows.

(a) (a) By-laws

Even though By-laws should be enacted to perform 30 main activities under the Section 126 of the Pradeshiya Sabha act, by-laws had been enacted only for 14 activities by 31 December 2017.

(b) Solid Waste Management

The following Matters were observed.

(i) Out of 75 tons of garbage collected per month , about 30 tons had been dumped into pits dug in a private land obtained on lease and accordingly, environmental issues may be created in the future.

(ii) About 450 kilograms of polythene had been collected in the Solid Waste Management Centre and a proper methodology had not been adopted to dispose for those garbage.

(c) Sustainable Development Goals

Even though the Sabha lacked a wide knowledge of the “Agenda 2030 on Sustainable Development Goals”, programmes had been implemented to expand self-employment opportunities aiming at poverty alleviation. Due to the reasons such as unstable income level, increase in the cost of living, necessary resources to achieve the sustainable development goals could not be obtained uninterruptedly.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Even though the arrears of rates had been increasing up to Rs. 2,656,075 during the past several years, only Rs. 189,886 had been recovered during the year under review by implementing 02 property prohibition programmes as required by Sections 158 (a) and (c) of the Pradeshiya Sabha Act.
- (b) The Sabha had not taken steps to give on rent or lease 11 shops out of 16 shops constructed at a cost of Rs. 12,379,634 in the year 2015.

3.3 Operating Inefficiencies

A land of 60 acres in extent had been auctioned several years ago without obtaining the approval of the Sabha and the Sabha had lost the 01 per cent lease amount of the sales value and the plots of lands meant for the public purposes.

3.4 Assets Management

3.4.1 Failure to Assure Security of the Assets

Action had not been taken to ensure safety of the assets by constructing a suitable building for parking vehicles.

3.4.2 Failure to carry out Maintenance and Repairs

Out of 53 cemeteries belonging to the Sabha, 41 cemeteries had not been developed or maintained over a number of years.

3.5 Procurement

3.5.1 Procurement Plan

In terms of Guideline 4.2.1 of the Government Procurement Guidelines 2006, the Sabha had not prepared a Procurement Plan over a number of years.

3.5.2 Contract Administration

Contracts had been awarded to two community based organizations exceeding the approved limit by Rs. 6,1,662,000 and the financial viability of those societies had not been ascertained.

4. Accountability and Good Governance

4.1 Internal Audit

No copies of the Internal Audit Reports had been furnished to the Auditor General.

5. Systems and Control

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 systems and control.

Syatem	Deficiency
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(a) Revenue Administration	Recovery of outstanding balances remained at a slow pace.
(b) Assets Management	Deeds had not been obtained for lands, buildings and cemeteries which lacked deeds or transfer certificates
(c) Waste Management	Not recognizing longstanding methodology in connection with disposal of garbage.