

**Nikaweratiya Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit on 03 April 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 07 June 2019 and the detailed management audit report had been submitted on 25 July 2019.

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 accompanying financial statements give a true and fair view of the financial position of the Nikaweratiya 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

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Detailed schedules for two items of accounts amounting to Rs. 3,814,412 had not been submitted to Audit.	A detailed schedule should be prepared showing the date of the deposit, the details and the manner in which the value is to be incorporated.	It is informed that above amount consists of library deposits, mixed deposits and machinery deposits.

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

compliances were observed-The following non.

Reference to rules, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
(a) Pradeshiya Sabhas (Finance and			
(i) Administrative) Rules, 1988 Rules 32-42	Action had not been taken to recover the assessment tax amounting to Rs.5,143,430 from 1175 properties related to 17 roads of the area of authority of Nikaweratiya Pradeshiya Sabha as at 31 December 2018.	A timeline for recovery programs based on age analysis of should be developed for the recovery of arrears and recovery programs should be continued.	Steps will be taken to recover these arrears of revenue immediately.
(ii) Rule 218	No annual survey of all lands and buildings has been done	Action should be taken to properly conduct surveys so as to include all the lands and buildings, prepare documents and count for them.	A committee was appointed to conduct a survey on land and buildings and thereby action has been taken to present to the General Assembly a temporary assessment of the present valuation of lands and buildings.

- (b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 571 Action had not been taken on a sum of Rs. 1,437,821 that had elapsed a period of two years from the date of deposit. Action should be taken as per financial regulations. It is informed that action will be taken to correct this 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. 17,408,658 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 21,653,263 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>2018</u>				<u>2017</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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Tax	7,010,062	6,860,062	4,372,827	4,772,157	3,483,000	3,778,000	3,612,000	2,184,000
Rents	19,066,000	19,066,000	16,178,203	4,861,492	25,401,000	21,579,000	21,010,000	7,083,000
Licence Fees	1,212,300	1,212,300	845,575	80,400	1,200,000	1,327,000	1,247,000	80,000
Other Revenue	74,394,914	74,394,914	68,761,436	26,616,340	76,361,000	64,052,000	58,615,000	28,628,000
Total	101,683,276	101,533,276	90,158,041	36,330,389	106,445,000	90,736,000	84,484,000	37,975,000

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
Rates amounting to Rs. 4,391,398 remained recoverable as at 31 December 2018.	Action should be taken to recover the outstanding balance.	Action will be taken to recover arrears through the prohibition property in the future.

2.2.3 Rents

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) A balance of Rs.109,695 was due from 15 permanent shops and a balance of Rs.56,075 was due from 13 fruits stalls by the end of the year under review.	Action should be taken to recover the dues as per the Pradeshiya Sabha act and agreements.	Action has been taken to inform the Revenue Inspectors in this respect and recover the dues.
(b) Even after receiving valuation reports on 25 January 2016 for the trade stalls at the bus stand, action had not been taken to enter into agreements and recover the rents. As such, the Sabha had lost revenue amounting to Rs.1,501,150.	Action should be taken to collect the rent according to the valuation reports.	Several stalls of the Nikaweratiya Bus Stand have been opened while some other stalls have not been opened. Taxpayers avoid paying arrears, saying they are unable to open shops because of pigeonholes. Therefore, the process of finding solution to this matter is in progress and rents will be recovered soon.
(c) Arrears of rents amounting to Rs. 840,828 was due from 18 shops at the Bus Stand as at the end of the year under review.	Arrears should be recovered along with late fees.	Not commented.
(d) Action had not been taken to recover arrears of rents	Action should be taken to recover the rent in	It is informed that action will be taken to recover the arrears

amounting to Rs. 315,250 due from 07 stalls of the Common Amenities and Health Center by the end of the year under review.

arrears as per the Pradeshiya Sabha Act / Agreements.

of rent amounting to Rs.315,250 from seven trade stalls of the Common Amenities and Health Center in accordance with Section 159 (1) of the Pradeshiya Sabha Act No.15 of 1987.

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 Sabhas Act, are as follows.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accountin Officer
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<p>In terms of Section 126 of the Pradeshiya Sabha Act No. 15 of 1987, the Sabha had not enacted by-laws for the services rendered to the public and had adopted the standard by-laws. Even though two years have elapsed since forwarding a by-law relating to parking of three-wheeler taxis to the Local Government Department by the local government institutions, it had not been approved.</p>	<p>Action should be taken to enact by-laws as per the requirements of the Sabha and take steps in accordance with the by-laws already laid down,</p>	<p>It is informed that action will be taken to enact necessary by-laws in future.</p>

(b) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Although the Sabha was aware of the "Sustainable Development Agenda 2030", the progress of achieving the Sustainable Development</p>	<p>Action should be taken to achieve the Sustainable Development Goals.</p>	<p>Not commented.</p>

Goals and Indicators for 2018 had not been reviewed.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) As action had not been taken to sign agreement and recover the rents from the tenderers who obtained trade stalls on Key money system at the Common Amenities and Health Center of the Nikaweratiya Bus Stand opened on 11 April 2016, the Sabha had lost an income of Rs.929,000 as at 31 December of the year under review.	Action should be taken to recover the key money and rents in accordance with the Agreements.	Since the total arrears of the trade stalls of the Common Amenities and Health Center obtained under the key money system by the tenderers had not been settled, agreements relating to the trade stalls could not be signed. However it is informed that rentals of the stalls that are to be recovered by now will be recovered from the date on which the shops are opened.
(b) Action had not been taken to recover the rentals from the ground floor trade stalls Nos. 26, 30 and 31 and the unopened upstairs stall No, 08 that had been tendered at Common Amenities and Health Center.	The rents should be assessed and recovered as per the agreement.	The Department of Valuation has been informed on 19.09.2018 to assess the monthly rent of the stalls Nos. 26, 30 and 31 and the stall No. 08 on the upstairs of the Common Amenities and Health Center and since that assessment on monthly rent has not been received yet, it has not been able to collect the rent. It is informed that action will be taken to obtain the assessment of the monthly rent as soon as possible and to recover the rent of the shop from the date of receipt of the key thereof.
(c) Three lessees who had not paid the rent to the Sabha relating to the shops at the Common Amenities and Health Center had	Action should be taken in accordance with the agreements regarding the subleasing and to	It is informed that the owners who have obtained the stalls by tenders will be notified that the stalls should not be alienated as per the agreement and action will be taken

	subleased out their shops.	recover the relevant rents.	to recover the rent. .
(d)	The valuation reports of 35 permanent stalls, 06 temporary vegetable stalls and 19 fruit stalls at Nikaweratiya Public Market had not been furnished to Audit.	Stall rents should be assessed and relevant charges should be recovered.	According to the register of trade stall rents, monthly rent is charged from these shops and an assessment report could not be found in any file relating to the Nikaweratiya Public Market.
(e)	A sum of Rs. 600,000 had to be recovered from the stall No.05	Action should be taken to recover arrears.	The trade stalls Nos.05 and 06 have been obtained by the same lessee through the tenders. In response to the request made seeking grace period citing his financial difficulties to make relevant payments, the General Assembly has settled rents up to 31 May 2019.
(f)	Six leaseholders who had obtained trade stalls at Bus Stand , but not paid rentals, one leaseholder who had not signed agreements and 03 leaseholders who had paid rentals had subleased the trade stalls contrary to the agreements and the Sabha was unaware of this incident	This should be informed in writing and periodic inspection should be carried out. action should be taken to recover the relevant rents.	It is accepted that sub-lease of leased property should not be done in accordance with Clause 23 of the Agreement. Action will be taken to inform the leaseholders in this regard.
(g)	In awarding trade stalls at the Nikaweratiya Common Amenities Centre on key money system, key money of Rs.2,224,000 was receivable from 08 trade stalls. It was observed that business activities had been commenced in the trade stalls for which key money had not been paid.	Action should be taken to recover the arrears.	There is an outstanding key money balance of Rs. 546750 of the Health Center at present and action will be taken to recover this outstanding amount promptly.

3.3 Procurement

3.3.1 Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
A Procurement Plan had not been prepared for the year 2018.	A Procurement Plan should be prepared in accordance with the Guidelines.	Not commented.

3.3.2 Contract Administration

Audit Observation	Recommendation	Comments of the Accounting Officer
In renovating the Giriulla Nebada road by tarring at a cost of Rs. 1,699,201, although the Secretary of The Sabha had approved the release of retention money of Rs.169,920 on the relevant recommendations, Upon inspection with the Technical Officer of the Sabha on 12 December 2018, a number of pits were found that erupted in a section 20 meters from the beginning of the road.	If there are any significant defects in the road before the retention money is released, those should be rectified.	It is informed that the road is being examined with the Planning Superintendent and supervised the work at present and future steps will be taken in accordance with the estimate prepared by the Technical Officer.