

Namal Oya Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2019 had been submitted to audit on 27 February 2020 and the summarized Auditor General's Reports and Detailed Management report relating to that were sent to the Chairman on 13 July 2020.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Namal Oya Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with the Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

(a) Accounting Deficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
i. The fixed assets of Rs. 85,490 purchased during the year under review had not been capitalized.	The assets of the Sabha should be capitalized.	Accepted. I will take action to correct this in the preparation of accounts for the year 2020.
ii. No provisions had been made under the general creditors in the accounts for overtime and travel expenses of Rs. 37,952 during the year under review.	Must be properly accounted for.	Accepted. I will take action to correct this in the preparation of accounts for the year 2020.
iii. The value of furniture fittings and machinery removed on the recommendations of the Board of Survey for the year 2018 was stated in the financial statements as Rs.115,128.	Must be properly accounted for.	Accepted. I will take action to correct this in the future.
iv. Provisions had not been made in the accounts for Rs. 9,882,628 to be paid for 09 development projects completed during the year under review.	Must be properly accounted for.	Accepted. I will take action to correct this in the preparation of accounts for the year 2020.

v. A sum of Rs.10,418,560 receivable for 09 development projects completed in 2018 and 2019 had not been accounted for.	Must be properly accounted for.	Accepted. I will take action to correct this in the preparation of accounts for the year 2020.
vi. The stamp duty receivables of Rs.40,400 for the years 2014 to 2018 was understated in the accounts.	Must be properly accounted for.	Accepted.
vii. Stamp duty due from September to December of the year under review had not been accounted for.	Must be properly accounted for.	Accepted.
viii. The compost bin purchased for Rs.588,953 during the year under review had not been capitalized.	Must be properly accounted for.	Accepted.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
There was a difference of Rs.84,922,645 between the values of 5 accounting subjects in the financial statements of the year under review and the value of the books and documents related to it.	Action should be taken to correct the accounts by comparing the changes in the relevant balances.	I accepted unreconciled accounts. I will take action to correct in the preparation of accounts for the year 2020.

(c) Lack of Evidence for Audit

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Evidences had not been presented for 05 assets items of Rs.180,551,018 and 03 liabilities items of Rs.1,318,836.	Evidence confirming the account balance in the financial statements should be submitted.	As the documents are already being updated, I will take steps to prevent such shortcomings in the future.

1.4 Non-Compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliances	Recommendation	Comments of the Accounting Officer
(a) Section 126 of the Pradeshiya Sabha Act No. 15 of 1987	By-laws on solid waste management had not been enacted to meet the relevant costs.	Act in accordance with the provisions of the Council Act.	By-laws have been drafted and sent to the Provincial Council and the Governor for approval, but they have not yet been approved.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules 217	Lands owned by the Sabha and used by the Sabha were not taken over and the assessed value was not included in the fixed asset register.	Must follow the rules of the Pradeshiya Sabha.	I would like to inform you that after the acquisition of the land, the valuation process will be carried out and it will be included in the register of fixed assets.
(c) Public Administration Circulars -			
(i) Circular No. 09/2009 dated 16 April 2009	A fingerprint machine was not used to record the arrival and departure of officers.	Circulars should be followed.	Arrangements have been made to purchase in the future on the financial provisions of the institution.
(ii) Circular No. 30/2016 dated 29 December 2009	Fuel consumption tests had not been carried out on 07 vehicles and machinery belonging to the Sabha.	Circulars should be followed.	I would like to inform you that action will be taken to check the fuel burning in the future.
(d) Public Finance Circular No. 02/2015 dated 10 October 2015	No action had been taken to dispose of 04 vehicles which were in a condemn condition.	Circulars should be followed.	I declare that the dispose of this vehicle has been delayed due to the delay in taking over the ownership of the vehicles to the Sabha.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure for the year ended 31 December 2019 amounted to Rs. 1,595,526 against with the recurrent expenditure over revenue of the preceding year amounted to Rs. 612,895.

2.2 Financial Control

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken with regard to the sum of Rs. 29,335 from 3 bank accounts Revenue for 03 bank accounts which had been taken as income but not banked.	Action should be taken to settle the value taken in the revenue of the Sabha but not in the bank.	The money has been referred to the Hon.Governor through the Commissioner of Local Government for remove from the bank accounts. I would like to inform you that they will be removed once the approval is received.

2.3 Revenue Administration

2.3.1 Estimated Revenue, billed revenue, collected revenue and Arrears Revenue

Information of estimated revenue, billed revenue, collected revenue and arrears of revenue relating to the year under review and previous year are shown below.

Revenue Source	2019				2018			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
Rates and Taxes	304,500	84,500	84,500	--	270,000	66,000	66,000	--
Rental Income	2,408,600	1,967,48	1,959,918	30,608	2,438,600	2336,012	2,353,833	23,039
License Fee	422,000	525080	525,080	22,505	372,000	712,590	712,590	22,505
Other Revenue	2,121,000	2,861,805	3,058,074	217,698	2,013,006	2644,399	2,552,486	413,967
	<u>5,256,100</u>	<u>5,438,872</u>	<u>5,627,572</u>	<u>270,811</u>	<u>5,093,606</u>	<u>5,759,001</u>	<u>5,684,909</u>	<u>459,511</u>

3. Operational Review

3.1 Performance

Following matters were revealed relating to the functions which should be performed by the Sabha to regulate and administrate public health, public utility services and public roads and luxury, convenience and welfare of the people under section 3 of the Pradeshiya Sabha Act.

By-Laws

Audit Observation	Recommendation	Comments of the Accounting Officer
Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main matters, but by-laws had not been enacted by 31 December 2019.	By-laws must be enacted for matters where no by-laws are enacted.	Although by-laws have been prepared for five main issues and submitted to the Provincial Council, it has not yet been approved.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Damage to the windscreen of the backhoe had not been dealt with in accordance with Financial Regulation 104(4).	----- Must comply with Financial regulations.	----- As this loss has been incurred by a driver who was hired on a daily basis, there is a problem with the recovery and I would like to inform you that I will get him to repair this in the future.

3.3 Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
----- (a) Staff Vacancies and Excess -----	-----	-----
i. As on 31 December 2019, there were 05 vacancies in 04 approved staff posts.	Staff vacancies need to be filled.	I inform you that the work related to filling the vacancies will be done through the Local Government Commissioner.
ii. Employee loan balance of Rs.39,388 due from 02 employees of the Sabha who were retired and transferred.	Action should be taken to recover unpaid employee loans.	I would like to inform you that one of these officers has now retired and necessary steps will be taken to resolve this issue in the future.

3.4 Assets Management

3.4.1 Assets not Acquired

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The ownership of 04 vehicles and machinery received by the Pradeshiya Sabha from the Ministry of Finance and the Provincial Council in 1993 and 2005 had not been taken over.	----- Action should be taken to take over the ownership of the vehicles.	----- Action will be taken in the future.

3.4.2 Vehicle Utilization

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Eight vehicles and machinery had been put into operation in 2019 without obtaining annual revenue licenses.	Action should be taken to obtain revenue licenses for all vehicles owned by the Sabha.	Work will be done in the future to obtain revenue licenses.

3.5 Procurement

3.5.1 Procurement Plan

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No procurement plan had been prepared for the year under review.	A procurement plan should be prepared for each year.	I would like to inform you that after pointing out the audit last year, a procurement plan for the year 2020 was prepared and approved by the Sabha.

3.5.2 Supply and Service

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
When purchasing a loudspeaker system for the Cultural Center, purchases were made outside the government's procurement process and subsequently forged documents were filed.	The government-approved procurement process should be followed.	I will make sure that such shortcomings do not occur in the future.