

Nivithigala Pradeshiya Sabh

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 31 March 2016 and the financial statements for the preceding year had been presented on 31 March 2015. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 15 June 2016.

1.2 Qualified Opinion

In my opinion, except for the effects on the financial statements of the matters shown in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Nivithigala Pradeshiya Sabha as at 31 December 2015 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 accounting deficiencies are observed.

- (a) Expenditure aggregating Rs.76,309 for the year under review had been paid in 2016. But, the creditors had not been identified and brought to account. As such, expenditure of the year under review and the creditors had been understated by similar amounts.
- (b) The fixed assets valued at Rs.59,180 purchased during the year under review had not been brought to account through the Revenue Contribution to Capital Outlay Account. As such, the assets of the year had been understated by a similar amount.
- (c) The fixed assets valued at Rs.3,725,150 received as donations during the year under review had not been brought to account through the Donations Reserve Account. As such, the assets of the year had been understated by a similar amount.
- (d) According to the board of survey report for the year under review. Fixed assets valued at Rs.348,985 had been recommended for disposal or auction caring. But, such action had not been taken even by the date of audit and the assets concerned had been written off from the Assets Account.

- (e) The Sabha ceased functioning from 15 May 2015. Members' allowances of Rs.190,000 had been paid for the month of May 2015. But, the salaries for 15 days of the year 2015 amounting to Rs.95,000 only had been reimbursed. Accordingly, the expenditure on salaries for the year under review had been overstated in the accounts.

1.3.2 Unreconciled Control Accounts

A difference of Rs.166,494 was observed between the balances shown in the financial statements for the year under review and the balances appearing in the subsidiary registers with reference to 02 items of accounts.

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 2015 amounted to Rs.19,480,163 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.15,288,562 showing an improvement in financial results of the year under review by Rs.4,191,597.

2.2 Analytical Financial Review

The financial operating surplus for the year under review had decreased by Rs.852,007 as compared with the previous year and it was observed that it was 27 per cent less than the previous year. The decrease in recurrent revenue and the increase in salaries and allowances by 42 per cent of the year under review compared with the previous year had mainly attributed to this.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

The information relating to estimated revenue, actual revenue and the arrears of revenue for the year under review, as furnished by the Secretary, appear below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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Rates and taxes	2,700	2,736	1,979
Lease rant	4,536	3,873	89
Licence fees	513	290	1.5
Other revenue	28,060	28,865	7,665

2.3.2 Performance in Recovery of Revenue

A comparison of the estimated revenue with the revenue collected for the under review showed that the revenue collected was less than the estimated revenue with regard to items of revenue such as rates and taxes, lease rent, licence fees, warrant charges and fines and other revenue and the decreases were 16 per cent, 14 per cent, 43 per cent, 46 per cent and 5 per cent respectively.

2.3.3 Rates and Taxes

Forty four applications valued at Rs.696,085 had been received 2014 and 2015 for revision of names in the register of rated and taxes of the Sabha. The work had been completed and the names had been revised accordingly. However, action had not been taken to frame bye – laws and recover fees accordingly by adopting a resolution in the Sabha.

2.3.4 Trade Licence Fees

Eighty nine traders had not obtained trade licences by November 2015 as compared with the year 2014. As a result, it was observed in audit that the funds of the Sabha may be deprived of earning a revenue of Rs.52,250.

2.3.5 Other Revenue

The following observations are made.

- (a) A traffic warden had been appointed on a Commission basis to collect fees from vehicles parked in the town. However, the revenue collected during January to July 2015 was at a very low level of Rs.25,000 and an extensive percentage of 70 per cent had been paid as Commission. The expenditure was extremely more than the revenue credited to the funds of the Sabha and it was observed that the revenue earned from this item of revenue in a town with heavy congestion of vehicles was at a very low level.
- (b) The Sabha was not in possession of any information relating to payments made in advance regarding the Nivithigala Week end Fair after the year 2014. According to the register of payments made in advance for the year 2004, it had been informed that a sum of Rs.369,560 was due from 02 stalls.
- (c) Revenue amounting to Rs.26,600 had been received from 04 three wheeler associations registered at the Sabha during January to June of the year under review. But, revenue had not been obtained after June 2015 as bye-laws had not been framed and charges levied accordingly.

- (b) The Department of Valuation had twice assessed the monthly rent of 12 stalls established in the close proximity of Nivithigala Weak end Fair, and the dates were 12 January 2011 and 05 December 2014 respectively. But, action had not been taken to recover the revised rate upto 09 November 2015, the date of audit and as a result the Sabha had been deprived of a revenue of Rs.42,550.

2.3.6 Lease of Beef Stall

The Sabha had entered into agreements for lease of mutton and poultry stalls for the year 2014. The lessee had neglected payment of lease rent after making payments for the month of January 2014 only. As such, a sum of Rs.85,500 was due to the Sabha as at 29 April 2014. Action had not been taken to recover this arrears on behalf of the Sabha upto 09 November 2015, the date of audit.

2.3.7 Court Fines and Stamp Fees

The following observations are made.

- (a) A sum of Rs.1,353,372 had been identified for the period January to September of the year under review. No action, whatsoever, had been taken to recover the court fines revenue of Rs.389.415 for June to September. Action had not been taken to identify the court fees for October to December.
- (b) Although it was required to obtain the stamp fees revenue schedule from the hand. Registry and bring it into account, necessary action had not been made in this regard.

3. Operating Review

3.1 Stock Control

The following observations are made.

- (a) Proper method had not been identified by the Sabha to select beneficiaries by identifying the necessity for purchasing 90 hume pipes valued at Rs.472,285 on 08 April 2015 and the Sabha had not taken follow up action by obtaining the report of the technical officer to confirm the usage of those pipes distributed.
- (b) Proper method had not been select beneficiaries while distributing goods among institutions and persons by members under the members' proposals through the provisions made in the budget for 2014 and 2915. The sabha had not taken proper follow up action to see whether the goods distributed had been used for the required purposes. Further, evidence had not been furnished to audit to confirm that quotations had been properly called for, and subjected to evaluation before purchases were made. Certain

goods purchased so had not been entered in the stock book and also issue orders had not been issued for stocks appearing in the stock book.

- (c) Test checks were carried out regarding distributions of goods in the Register of members' provision for the year under review and it was revealed that 25 sets of street lamps had been purchased without written requests from members or by confirming the places to which those lamps were required . The Sabha had not taken any follow up action in this regard. Further, according to the stock book there had been 14 sets of street lamps at the stores as at 26 October 2015. However, a stores verification carried out on 05November 2015 revealed the presence of parts of street lamps only.

- (d) Proper method could not be identified to install street lamps within he authoritative area of the Sabha. It was observed that street lamps had been purchased without carrying out a survey in the area for the need of street lamps and the places which require then and without maintaining a proper register to identify the places where those lamps had been installed. Further, the instructions referred to in the Circular of the Secretary to the Ministry of Power and Energy dated 17 August 2010 had been ignored with regard to street lighting. The agreement between the Sabha and the Electricity Board for installation of street lamps had not been furnished to audit.

3.2 Operating Inefficiencies

The following observations are made.

- (a) Loan balances of Rs.88,146 due from ex-employees of the Pradeshiya Sabha for many years could not be recovered.

- (b) According to the Financial Regulation 206(c), it should be certified that the person to whom the deposit is refundable, as appearing in the voucher, is entitled to draw it. However, the tender deposit of Rs.25,000 obtained in 2015 while calling for quotations for collection of week end fair tax of Nivithigala had been refunded to another person. Vide voucher No.106 of 09 February 2015.

3.3 Contract Administration

Nineteen constructions had been completed under the village to village Door to door Programme implemented by the ministry of Economic Development. But, the final payments for the contract had not been made due to non provision of funds or now receipt of the provision by the Sabha.

3.4 Assets Management

Idle and Under Utilized Assets

The Pallegedara Leather works Center of the Pallegedara Co-operative Society had been vested with the Sabha on 30 October 2014. But, the centre remained closed upto 30 June 2016 from the date of acquirement.

4. Good Governance and Account ability

4.1 Budgetary Control

The following observations are made.

- (a) The entire provision of 42 objects amounting to Rs.5,673,854 had not been used for any purpose.
- (b) The entire budgeted provision of 08 objects for the year under review amounted to Rs.1,844,000. However, the actual expenditure relating to those objects amounted to Rs.2,448,727. As a result, the budgeted provision had exceeded by Rs.604,727.
- (c) A total provision of Rs.10,654,145 had been transferred to 13 objects from 22 objects during the year under review. But, the decision of the Sabha or the recommendations of the committee had not been obtained for this.

4.2 Annual Procurement Plan

A procurement plan for the year under review had not been prepared and action taken accordingly during the year under revenue.

4.3 Internal Audit

Action had not been taken to establish an internal audit unit and to implement it by providing facilities.

4.4 Implementation of Audit and Management Committees

Action had not been taken to establish Audit and Management Committees and to implement the Committees.

5. Systems and Controls

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Administration
- (c) Assets Management
- (d) Contract Administration