

Naula Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 28 April 2017 and the financial statements for the preceding year had been presented on 30 March 2016.

1.2 Qualified Opinion

In my opinion, except for the effects 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 Naula Pradeshiya Sabha as at 31 December 2016 and its financial performance for the year then ended are 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) The value amounted to Rs. 320,000 of the ayurvedic goods donated under allocations of Department of Ayurvedic had not been brought into account under other donations, and due to not indicating issues and receipts of ayurvedic medicine, ayurvedic final stock value of Rs.121,583 had not been brought in to account.
- (b) The value of a community hall amounting to Rs. 86,500, Gamsabha Office building amounting to Rs.100,000, and few trade stalls in Alahara road amounting to Rs.60,000 had been stated under lands and buildings. These buildings do not have physical existence. Accordingly the balance of Land and Buildings had been overstated by Rs.246,500.

1.3.2 Un reconciled Control Accounts

The balances relating to fixed asset accounts as at 31 December of year under review had been Rs.85,419,358 where as value appearing in the revenue contribution on capital account had been Rs. 86,888,319. Thus the said account balances differed by Rs.1,468,961.

1.3.3 Accounts Receivable

The balances of 9 accounts receivable aggregated to Rs.17,499,735. The balances of 3 accounts aggregated to Rs.543,255 remaining unsettled for over 3 years had been included therein.

1.3.4 Accounts Payable

The balances of accounts payable at the end of the year under review amounted to Rs.8,409,191. The balances of Rs.2,810,238 remaining unsettled over one year had been included therein.

1.3.5 Lack of Evidence for Audit

Four items of accounts aggregating to Rs.29,997,396 could not be satisfactorily vouched in audit due to non-remission of adequate evidence.

1.3.6 Non-compliance with Laws, Rules, Regulations etc.,

The following instances of non-compliances with laws, rules, regulations were observed.

Reference to Laws, Rules, Regulations etc.,	Non –compliance
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(a) 1988 Pradeshiya Sabha (Finance and Administration) Rules	
(i) Rule 29	Revenue of Rs.51,307 collected in E-Nanapiyasa center in 13 occasions had been kept in hand for 9 to 74 days.
(ii) Rule 180	Even though the officer in charge of the E-Nanapiyasa had been issuing the receipts while collecting the income of the center, a security had not been furnished even until March 2017.
(iii) Rule 217	Register of land and building had not been maintained and updated.
(iv) Rule 218	Annual survey had not been done regarding land and building.
(b) Section No.10:1(a) of chapter viii of the Establishments Cord of Democratic Socialist Republic of Sri Lanka.	Holiday pay amounted to Rs.25,135 had been paid in 7 occasions without certifying the attendance, leave and time of work.
(c) Circular No. 2016/3 dated 17 March 2016 of the Commissioner of Central Provincial Local Government.	Without charging the assessed monthly rent from 36 trade stalls, a monthly trade stall rent of Rs.2,000 had been collected based on a council decision dated 30 May 2013.

2 Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.12,901,185 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.3,465,634 resulting in an improvement in financial results of the year under review by Rs.9,435,551.

2.2 Analytical Financial Review

- (a) Increase in revenue by Rs.9,150,170 in 3 items of revenue and decrease in expenditure by Rs.789,394 in one object resulted in the improvement in financial results.
- (b) From the total recurrent expenditure of Rs.27,708,049 for the year under review, Rs.22,346,109 which represent 81 percent had been spent on salaries and wages.

2.3 Revenue Administration

2.3.1 Rates

- (a) The balance of arrears rates as at the end of the year under review amounted to Rs.1,096,470. Out of the total billing amount of Rs.1,655,539 arrears of Rs.699,538 which represent 42 percent had been existing.
- (b) The register of Rates had not been maintained according to 1988 Pradeshiya Sabha (Finance and Administration) Rule 32.
- (c) Rates had not been revised from year 2008.
- (d) Rates from 8 government institution amounting Rs.159,456 as at the end of the year under review had not been collected for a period of 2 to 8 1/2 years.

2.3.2 Lease Rent

Arrears trade stall rent from 48 trade stalls of 6 trade complex was amounted to Rs.367,425. This includes Rs.180,420 arrears rent income recoverable from 5 shops since year 2013.

2.3.3 Other Income

(a) Acreage Tax

The arrears of acreage tax amounted to Rs.23,685 as at 31 December of the year under review. This had been brought forward for the last 7 years without changing.

(b) Water Charges

 Out of the aggregate arrears water charges of Rs.236,707 at the beginning of the year under review only Rs.130,988 which represent 55 percent had been recovered. Arrears of water charges as at the end of the year under review way amounted to Rs.199,085.

(c) Garbage charges

 The balance of arrears of Garbage charges of Rs.19,613 as at 31 December of the year under review had been brought forward and unchanged for the last 6 years of time.

(d) Advertisement Hoarding charges

 Annual verification had not been done regarding advertisement hoardings, and a proper committee had not been formed for approval of exhibiting advertisements. Further a revenue register had not been maintained with regard to this.

2.3.4 Court Fines and Stamp Fees

 Court Fines of Rs.1,817,363 and stamp fees of Rs.5,629,437 remained recoverable from the Secretary of Provincial Council and other officials as at December 2016 of the year under review.

3 Operating Review

3.1 Performance

 Out of the total recurrent revenue of Rs.40,609,233, internally generated revenue was amounted to Rs.10,261,021, which represents a lower amount of 25 percent.

3.2 Management Inefficiencies

 The following matters are observed

- (a) 14 vacancies exist with regard to 6 posts of the Sabha, and one post was in excess as at 31 December 2016. Actions had not been taken to recruit employees for the vacancies.
- (b) Out of the repair expenses of the double cab No 252-6567 which collided on 23 January 1999, Rs.152, 200 had not been reimbursed by Sri Lanka Insurance Corporation. This amount had been shown as a recoverable balance continually, without taking proper actions to claim it from responsible parties.
- (c) Without sending the Security documents of Rs.19,931 of 4 transferred officers to their new organization ,it had been shown as securities of the Sabha.

3.3 Operating Inefficiencies

The following matters are observed

- (a) Whether 50 building applications had been approved within the year under review only 8 such applications had been issued with Compliance certificates.
- (b) Rs.158,650 charges had not been collected even until 23 January 2017 from 10 places which had been reside without a compliance certificate while only having a development license.
- (c) E-Nanapiyasa Center had been conducted in the Sabha office premises since 2015. Action had not been taken to admit appropriate No. of students for the courses conducted in it. Collecting revenue and issuing of receipts of it had not been done under the supervision of a responsible officer.
- (d) Register No.PS-21 had not been maintained regarding the receipts of counterfoils in terms of Rule 17 of the 1988 (Finance and Administration) code of rules.

3.4 Idle and Under Utilized Assets

The following matters are observed.

- (a) Tractor No.77-8931 and Rs. 135,000 worth water bowser had been idle since 2011 and 2010 respectively.
- (b) Rs.7,967,144 worth road roller received on 6 February 2015 under the Program of Providing Machinery to Local Authorities had not been used in year 2016.
- (c) Six trade stalls in Naula Sathipola had been idle, of which 4 stalls had been sealed since 2013. Actions had not been taken to use these stalls those are in a damaging condition. Accordingly Sabha had lost a rent income of Rs.384,000 which represent the current monthly rent of Rs.2,000 into 4 years.
- (d) The Tourists Facility Center near by the ancient Nalanda Gedige had been built spending Rs.2,452,591 on November 2015 under the allocations of the Department of Central Province Trade, Commerce and Tourism. The land had not acquired by the Sabha and the said building kept idle even until 23 May 2017 without any maintenance, and without taking actions to open.

3.5 Solid waste management

- (a) About 1 ½ to 2 metric tons of garbage collected daily had been dump to the Serudandapola land which not acquired to the sabha even until 30 May 2017. As per the physical observation, garbage without sort out had been piled irregularly. The land had not been acquired and covered with security fence properly. Accordingly a private institution had dump garbage in to the particular land.

- (b) The garbage sorting building constructed in the garbage dumping land by spending Rs. 1,050,000 had not been utilized even until 30 may 2017.

4 Accountability and Good Governance

4.1 Internal Audit

Even though an officer had been appointed for internal audit, the internal audit had not been done sufficiently .No internal audit reports had been issued during the year under review.

4.2 Audit and Management Committees

Audit and Management Committee meetings had not been held during the year under review.

4.3 Budgetary Control

Significant variances were observed between the budgeted and actual revenue and expenditure consequent to the amendments to the budget during the year under review showing that the budget had not been utilized as an effective instrument of management control. Accordingly variance ranging from 36 to 97 percent existed between net provision and actual expenditure of 14 objects.

5. Systems and Controls

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

- (a) Revenue Collection.
- (b) Staff Management.
- (c) Assets Management.
- (d) Budgetary Control.