

**Nivithigala Pradeshiya Sabha**

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**Ratnapura District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 31 March 2017 and the financial statements for the preceding year had been presented on 18 May 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 11 August 2017.

**1.2 Qualified Opinion**

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In my opinion, except for the effects 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 Nivithigala Pradeshiya Sabha as at 31 December 2016 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**

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The following matters were observed.

- (a) The stamp fees revenue receivable for the period from January 2012 to August 2015 had been brought to account as stamp fees for the year under review without being identified the stamp fees revenue clearly relating to the year under review.
  
- (b) The revenue amounting to Rs.1,065,869 received during the year had been brought to account as revenue billed for the year without being identified the revenue billed for the industries tax and licence fees relating to the year under review.

- (c) As per to the Salary Reimbursement Register, the total salary to be reimbursed for the month of December 2016 amounted to Rs.1,710,614. However, it was brought to account as Rs.1,805,614 and as such the revenue for the year under review had been overstated by Rs.95,000.
- (d) Library books amounting to Rs.32,125 received as donations during the year under review had been brought to account through the Revenue Contribution to Capital Outlay Account.
- (e) Seventeen consumable articles amounting to Rs.32,740 purchased during the year under review had been brought to account as fixed assets and as such the fixed assets had been overstated by similar amount.
- (f) According to the Boards of Survey Report 2016, the assets totalling Rs.480,850 had been recommended either to auction or to destroy, but those assets had been eliminated from the accounts without being taking action to auction.
- (g) The Land and Buildings had not been included under Property, Plant and Equipment in the statement of financial position as at 31 December 2016.

### **1.3.2 Unreconciled Control Accounts**

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The following matters were observed.

- (a) A difference of Rs.16,668,150 was observed between the balances shown in the financial statements as at the end of the year under review in respect to 06 items of accounts and the balances appearing in the subsidiary registers.
- (b) A difference was observed between the balance of votes ledger and the financial statements in respect of 15 Objects.

### 1.3.3 Accounts Receivable

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Action had not been taken to recover staff loans amounting to Rs.19,017 brought forward prior to the year 2007 according to the Staff Loans Register of the Sabha.

### 1.3.4 Non-compliance with Laws, Rules and Regulations etc.

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The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 1645	Daily Running Charts relating to the year under review had not been presented even by June 2017.
(b) Public Administration Circular No.41/90 dated 10 October 1990.	A fuel consumption test had not been carried out in respect of the vehicles of the Sabha.

## 2. Financial Review

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### 2.1 Financial Results

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.6,434,016 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.2,278,963 indicating an improvement in financial results by Rs.4,155,053 as compared with the preceding year.

## **2.2 Analytical Financial Review**

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Increase of 04 items of revenue by Rs.3,506,919 and decrease of 02 items of expenditure by Rs.2,251,971 had mainly attributed for the increase in financial results by Rs.4,155,053.

## **2.3 Revenue Administration**

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### **2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue**

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The information with regard to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review, appears below.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs.000	Rs.000	Rs.000
Rates and taxes	2,525	2,847	1,518
Lease rant	4,076	3,882	62
Licence fees	273	335	01
Other revenue	37,246	31,391	11,199

### **2.3.2 Performance in Collection of Revenue**

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A comparison of the estimated revenue with the revenue collected for the year under review showed an increase in revenue collected with regard to the revenue items such as rates and taxes, licence fees and service charges by 32 per cent, 23 per cent and 79 per cent respectively and the revenue collected with regard to the revenue items such as warrant charges and fines, other revenue and the contribution made by the Government had decreased by 64 per cent, 27 per cent and 23 per cent respectively as compared with the estimated revenue.

### **2.3.3 Rates and Taxes**

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The arrears of rates and taxes from 958 units of assessments as at 31 December 2016 totalled Rs.1,189,286 and no arrears whatsoever had been recovered from that arrears amount even by 07 February 2017.

### **2.3.4 Other Revenue**

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The following matters were observed.

- (a) The fees had been collected without obtaining an application to display advertisements in terms of by-law 2 shown under No.39 of Part IV (b) of the Extra-ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988 and action had not been taken to conduct a survey on advertisements displayed in the authoritative area of the Sabha and to recover the respective revenue to the Sabha.
- (b) According to the Acreage Tax Register, a balance of arrears of acreage tax totalling Rs.167,553 had to be recovered from 257 units of acreage tax as at 31 December 2016 and that was 81 per cent of the total units of acreage tax of the authoritative of the Sabha.
- (c) A traffic warden had been appointed by the Sabha on Commission basis to recover fees from the motor vehicles, parked in the Nivithigala Town and a sum of Rs.31,000 only had been collected as vehicle parking fees for the year 2016. As a commission equivalent to 70 per cent from the collected money had been paid to that traffic warden, a sum of Rs.9,300 only had been received by the Sabha as net revenue for the year under review. Further, it was revealed at physical audit examination, that the activity of fees recovering was not properly carried out.

- (d) In constructing telecommunication transmission towers, the fees had not been recovered from 06 telecommunication towers and no fees whatsoever had been recovered from 03 telecommunication towers, as contrary to the fees to be recovered in terms of the Schedule of the revisions made to the Directives of the Plans and Buildings of the Urban Development Authority 1986 published in the Extra- ordinary Gazette No.1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009 and as such a sum of Rs.1,201,200 had been deprived by the fund of the Sabha.
- (e) The Sabha should be issued the Environment Protection Licences in respect of the projects included in Part 'C' of the Extra- ordinary Gazette No.1523/16 dated 25 January 2008 in terms of the National Environmental Act No.47 of 1980 as amended by the Acts No.56 of 1988 and 53 of 2000 and in accordance with the regulations imposed thereunder. Nevertheless, the Sabha had issued only 03 Environment Protection licences for the year 2016 and the Sabha had failed to conduct a survey even by 07 February 2017 relating to the business places for which should be obtained Environment Protection licences in the authoritative area of the Sabha.
- (f) Even though, the entertainment tax should be recovered by the Sabha for the shows holding within the authoritative area, no entertainment tax revenue whatsoever had been earned by the Sabha during the year 2016. Further, action also had not been taken to publish on entertainment tax in the Gazette for the year 2016.

### **3. Operating Review**

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#### **3.1 Performance**

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According to the Budget for the year under review, provisions of Rs.500,000 had been estimated for 02 Capital Projects under the funds of the Sabha and 91 Development Projects had been executed by incurring Rs.39,703,535 under the funds of the Sabha and Provincial Council Funds and other grants.

#### **3.2 Management Inefficiencies**

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Even though, the approval had been granted by the Commissioner of Local Government by a letter in March 2016 to obtain a service of a Restraining Officer on 15 per cent commission basis in respect of the recovery of arrears of rates and taxes and the activities of the restraining of properties for the year 2015. But a sum of Rs.60,120 had been over paid in paying that commissions payments.

#### **3.3 Operating Inefficiencies**

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The following matters were observed.

- (a) Action had not been taken to carry out surveys and vesting the lands to the Sabha in respect of 02 play grounds out of 03 play grounds in the authoritative area of the Sabha.
- (b) Action had not been taken to carry out surveys on 75 cemeteries in the authoritative area of the Sabha and vesting that lands even by 07 February 2017.
- (c) In the event of claiming insurance benefits in respect of the accident caused to the electric circuit of the cab vehicle of the Sabha on Sunday 04 July 2016, it was questionable the matters such as, the date on which occurred the accident shown as 03 July 2016 in claiming insurance benefits according to the record of the complaint of the Police, non-furnishing of running charts and visit register to

prove the evidence relating to the accident, no income earned in the field duty on the date of the accident and the cab vehicle had been parked in the premises of the Sabha without making any repairs even by 07 February 2017.

### **3.4 Contract Administration**

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The following matters were observed.

- (a) Three hundred and twenty five wall tiles had been purchased by the Sabha for the repairs of the lavatory of the Public Market which completed on 20 December 2016 by incurring Rs.331,492 under direct labour cost basis and it was recorded in the stock register that total quantity of the tiles had been issued; Nevertheless, according to the physical examination carried out by audit on 06 April 2017, it was revealed that only 200 wall tiles had been used for the work and 87 wall tiles had remained in the stores. Accordingly, the Technical Officer had failed to give a clear reply on 38 wall tiles amounting to Rs.13,727. Further, the estimates for electricity for the lavatory had not been prepared and the lavatory was not constructed to use as separately as female and male.
- (b) A security fence with a length of 720 feet had been constructed around the reservation of Karavita Water Supply Scheme by incurring Rs.369,908 for the protection of water source of Karavita water project from the activities of the wild animals, to protect the cleanness of the water source and to avoid any disaster for the water source. It was observed at the physical audit examination carried out on 06 April 2017 that the expected objective was not achieved properly as about 10 feet of the security fence had not been constructed.
- (c) The advances amounting to Rs.200,000 paid for a work constructed in a preceding year on the provisions of the Provincial Council had not been settled even by 03 February 2017.



### **3.5 Solid Waste Management**

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In terms of the Section 126 (ix) (b) of the Pradeshiya Sabha Act No.15 of 1987, the sewerage and scavenging service and recovering fees thereon had been shown as a matter subjected to the by -laws. Similarly, in terms of by-law 9.4 of the Part IV (b) of Extraordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988 a fee imposed by the Sabha for sewerage service should be paid monthly by a resident of a place for which providing sewerage service except a resident exempted by the Sabha due to poverty. Nevertheless, action had not been taken by the Sabha even by 07 February 2017 to impose a by-law on recovery of fees in respect of the sewerage service.

## **4. Good Governance and Accountability**

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### **4.1 Budgetary Control**

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The entire provisions of 10 Objects totalling Rs.165,800 made in the Budget for the year under review had been saved.

### **4.2 Annual Procurement Plan**

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A procurement plan for the year under review had not been prepared by the Sabha.

### **4.3 Annual Action Plan**

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The Action Plan for the year under review had been approved on 21 September 2016.

### **4.4 Audit and Management Committees**

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The Audit and Management Committee for the year under review had not been established and implemented.

#### **4.5 Internal Audit**

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An internal audit had not been carried out for the year under review.

#### **4.6 Unresolved and unreplied Audit Queries**

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Reply to one audit query had not been furnished by 31 December 2016. The value of quantifiable transactions of that amounted to Rs.741,465.

#### **5. Systems and Controls**

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

##### **System**

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(a) Accounting

(b) Revenue Administration

(c) Solid Waste Management

##### **Observation**

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(i) Overstatements.

(ii) Classification errors.

(iii) Omissions in the Accounts.

(iv) Non-reconciliations.

Not identified due revenue.

Non-recovery of fees,