

Nattandiya Pradeshiya Sabha
Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 23 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 28 July 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Nattandiya 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

The following matters were observed.

- (a) The value of lands amounted to Rs.14,163,000 of 03 plots of lands belonging to the Sabha and 03 plots of lands which the assessed value not mentioned had not been disclosed under fixed assets in financial statements.

- (b) The warrant fees relating to the rates in the year under review had not been billed and brought to accounts.

1.3.2 Unreconciled Control Accounts

As the employee security deposits and employee security investments amounted to Rs.894,226 and Rs.824,333 respectively, a difference of Rs.69,893 between two accounts had been occurred.

1.3.3 Accounts Receivable and Payable

No any action had been taken by the Sabha for the recovery of the money amounted to Rs.25,496,371 unrecoverable for the period ranged between 2 years to 25 years from the relevant institutions or persons. Further, action had not been taken to settle the creditors balance of expenditure amounted to Rs.2,993,218.

1.3.4 Non-compliance with Laws, Rules , Regulations and Management Decisions

The following matters were observed

Reference to Laws, Rules , Regulations and Management Decisions	Non-compliances
(a) Pradeshiya Sabha Act ,No.15 of 1987	
(i) Section 158	Action had not been taken to the recovery of arrears amounted to Rs.20,022,285 by confiscating the movable and immovable properties belonging to the persons who default the payment of rates and taxes in the area of authority of the Sabha .
(ii) Section 159 (I)	Action had not been taken to the recovery of the lease rent amounted to Rs.1,079,272 and the stall rent amounted to Rs.398,096 receivable to the Pradeshiya Sabha.
(b) Regulations of Pradeshiya Sabha of 1988 (Financial and Administration)	
(I) Regulation No.59	A list on the industries of the Sabha prepared by conducting a survey in the area of authority of the Sabha at the beginning of each year and had not been furnished to the Secretary on 31 March in the relevant year or before
(II) Rule No.218	An examination had not been carried out on all the lands and buildings of the Sabha.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2016 amounted to Rs.61,381,092 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.44,466,145.

2.2 **Analytical Financial Review**

Increase of 05 items of revenue by Rs.23,148,258 had mainly affected to the increase of the financial result by Rs.16,914,947.

2.3 **Revenue Administration**

2.3.1 **Performance for Collecting Revenue**

Fifty two per cent of the revenue for rates and taxes, 85 per cent of the acreage tax , 45 per cent of the other revenue to be collected at the end of the year under review had not been recovered.

2.3.2 **Rates and Taxes**

Out of the billed rates and taxes amounted to Rs.14,421,453 for the year under review, only a sum of Rs.9,496,349 had been collected during the year. It had been 65 per cent of the billed revenue.

2.3.3 **Court Fines and Stamp Duties**

The following matters were observed.

- (a) The stamp duty recoverable to the Sabha from the Chief Secretary of the Provincial Council as at 31 December 2016 amounted to Rs.133,662,254 . Out of that, a sum of Rs.14,970,932 from the year 1991 to the year 2010 and action had not been taken to recover that money.
- (b) Court fines amounted to Rs.20,799,438 of provincial grants as at 31 December 2016 should have been received.

3. **Operating Review**

3.1 **Management Inefficiencies**

The following matters were observed.

- (a) A sum of Rs.47,728 should have been paid as surcharges in the year under review due to delay in payment of contributions of the Employee Provident Fund.
- (b) Surcharges of Rs.87,500 had been imposed to the Sabha due to delay in payment of contributions to the Employee Trust Fund.
- (c) Even though cheques valued at Rs.502,997 received from 04 persons from the year 2001 to the year 2006 as rent out of weekly fair, rates and taxes and stall rents were dishonored , the Sabha had failed to recover that money at the end of the year under review.
- (d) No any revenue could be collected in the year 2016 from the permanent hoardings situated in the area of authority of the Sabha due to it had not been mentioned relating to collecting revenue from notice boards in the gazette which was published on collecting revenue in terms of Paragraph iv (b) of the Gazette of the Democratic Socialist Republic of Sri Lanka dated 19 December 2014 by the Nattandiya Pradeshiya Sabha.

- (e) An extent of 35 kilometers of main roads are belonging to the area of authority of the Nattandiya Pradeshiya Sabha and at the audit test check carried out relating to the hoardings fixed on only one side of the distance of 03 kilometers , a revenue amounted to Rs.99,000 from 42 notice boards had been lost to the Sabha.
- (f) Action had not been taken to protect and confirmation of the ownership of the plots of lands by surveying by a Board of Survey ,which had been granted to the Sabha for the common facilities in allotment and sale of lands.
- (g) Employee sureties of Rs.91,694 had not been invested in Bank Accounts from the year 1994 to the year 2014.

3.2 **Operating Inefficiencies**

The following matters were observed.

- (a) The revenue of billed license in the current year had been under stated by Rs.3,868,091 than previous year.
- (b) Even though 285 plans had been approved within 07 months in the year 2015, certificates of conformity had been obtained only 09 buildings even by 31 August in the year 2016. The validity period of the development permit had not been extended for the constructions which the certificates of confirmation had not obtained and the examination in that connection had not been carried out by the Sabha.

3.3 **Transactions of Contentious Nature**

Even though a sum of Rs.600,000 had been paid as advances in the year 2002 , Rs.150,000 each per 04 persons for the purchase of a land for the construction of a slaughter house , action had not been taken to obtain the ownership of that land or the recovery of that money even up to now.

3.4 **Uneconomic Transactions**

The following matters were observed.

- (a) According to the decision of the Price Committee of the District Secretary ,Puttalam, it had been shown that the approved price of one cube of gravel was amounted to Rs.1,000 for the year 2016 and contrary to that the Nattandiya Pradeshiya Sabha had purchased 964 cubes of gravel under 04 quotations from Rs.2,300 to Rs.3,600 for 01 gravel cube and a sum of Rs.2,191,712 had been over paid.
- (b) Even though according to the Register of Receiving and Issuing of gravel ,883.9 cubes of gravel had been issued to the roads and garbage pits during the period of 7 ½ months in the year 2016,estimates had not been prepared in that connection.

3.5 **Human Resources Management**

According to the approved and actual cadre of the Sabha as at 31 December 2016, one vacancy in the Executive Grade, an excess cadre totaled 86 persons in the Secondary and Primary Grades were existed.

4. **Good Governance and Accountability**

4.1 **Budgetary Control**

As a result of the variance of 196 per cent had been existed in the Budgeted Capital Expenditure of the year under review, the budget estimate had not been used in the activities of the Sabha as an instrument of control.

4.2 **Internal Audit**

An internal audit had not been carried out relating to the financial and operating activities of the Sabha.

4.3 **Action Plan**

An Action Plan for the year under review had not been prepared in terms of the Public Finance Circular No.PFD/RED/01/04/2014/01 dated 17 February 2014.

5 **Systems and Controls**

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

Areas of Systems and Controls

Observation

(a) Fixed Assets	A survey had not been carried out for the confirmation of the existence and security of the lands and buildings
(b) Debtors	Action had not been taken to the recovery of the old debtors balances.
(c) Creditors	Action had not been taken to the recovery of the old creditors balances.
(d) Employee Loans	The future actions to be taken in respect of the employee loans without being recovered had not been taken.

(e) Budget

Failure in preparing a balanced budget .

(f) Internal Audit

Searching the progress on the things such as required information for the preparation of correct financial statements , collecting arrears of revenue, introducing alternative sources of income, work schemes and projects had not been carried out.