

**Nagoda Pradeshiya Sabha
Galle District**

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 20 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 29 September 2018.

1.2 Qualified Opinion

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 Nagoda Pradeshiya Sabha. as at 31 December 2017 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

Provisions had not been made in the financial statements for contribution of Rs.2,462,802 payable to the Local Government Pension Fund as at 31 December of the year under review.

1.3.2 Unreconciled Accounts

Total of variance between balances of 04 account captions totalling Rs.122,192,256 appeared in financial statements and balances appeared in related documents amounted to Rs.41,379,542.

1.3.3 Suspense Account

Action had not been taken to identify and settle credit balance of the Suspense Account amounted to Rs.18,315, being brought forward since 2008.

1.3.4 Account Receivable and Payable

(a) Accounts Receivable

According to financial statements submitted arrears as at 31 December 2017, value Added Tax and stamp fee, a total of which being Rs.3,029,368 are balances

being brought forward since 2013 or before, and no action had been taken to settle those account balances.

(b) Accounts Payable

 No action had been taken to settle the amount of Rs.862,718, a value being brought forward even before the preceding year & payable for 17 development programmes within the area of authority.

1.3.5 Lack of Written Evidence for Audit

Non presentation of information for audit

Due to non presentation of required information in respect of 08 account captions totalling Rs.51,060,617, it was not possible to verify them satisfactorily.

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

----- Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value Rs. -----	Non-Compliance -----
(a) Pradeshiya Sabha Act No.15 of 1987 172(2) Section	995,887	No action had been taken to settle the Audit Fees payable from 1998 to 2017
(b) Pradeshiya Sabha Rule (financial & Administration) 1988 Rule 218	-	Lands and buildings owned by the Pradeshiya Sabha had not been subject to Board of Survey at least once a year.

(c) **Financial Regulations
of the Democratic
Socialist Republic of
Sri Lanka**

FR 396(c) 73,405 No action had been taken on 36 cheques issued although exceeded 06 months but not submitted for payment.

2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.1,029,616 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.4,944,750.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows;

Sources of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Dec	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears at 31 Dec
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxe	65,000	65,553	6,622	58,931	65,000	62,720	18,700	44,020
(ii) Lease Rent	3,512,720	3,497,720	2,907,606	590,114	3,839,420	3,501,720	2,199,775	1,301,945
(iii) Licence fee	600,000	778,918	778,918	-	600,000	818,566	818,566	-
	<u>4,177,720</u>	<u>4,342,191</u>	<u>3,693,146</u>	<u>649,045</u>	<u>4,504,420</u>	<u>4,383,006</u>	<u>3,037,041</u>	<u>1,345,965</u>

2.2.2 Rates and Taxes

Of the Acre Tax of Rs.109,573 recoverable for the year under review and preceding years, a minimum value of around 07 percent had been recovered. As action had not been taken as per Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987, arrears of Acre Tax balance at the end of the year under review had been increased upto Rs.58,931.

2.2.3 Rent

(a) Stall Rent

Of the stall rent amounted to Rs.4,799,665 recoverable for the year under review and preceding years, only 61 percent had been recovered. Failure to take action in terms of Section 159(1) of the Pradeshiya Sabha Act No.15 of 1987 resulted in the increase of stall rent balance in arrears at the end of the year under review upto Rs.590,114.

(b) Lease Rent

Lease Rent amounted to Rs.313,227 recoverable for renting out of two fairs located within the Pradeshiya Sabha area of authority remained in arrears at the end of the year and no action had been taken to recover dues in arrears in terms of Section 159 of the Pradeshiya Sabha Act No.15 of 1987.

2.2.4 Court Fines and Stamp Fee

A sum of Rs.4,504,684 and a sum of Rs.3,776,354 were recovered as stamp fees and court fines respectively as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Councils and no recovery court fines whatsoever had been recovered during the year under review.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under Section 3 of the Pradeshiya Sabha Act are as follows

(a) Action Plan

Annual Action Plan had been prepared only for 08 activities that had to be performed by the Pradeshiya Sabha as per by-laws enacted.

(b) Delays in Performing Activities

03 projects out of 12 received by the Sabha under Criteria based grants/Provincial MP's Provisions during the year under review had been cancelled and constructions on 05 projects had not been initiated even by 09 April 2018. One project under road development in rural areas to the length of 1000 km being implemented under the Ministry of Provincial Councils and Local Government had not been undertaken even by 09 April 2018.

(c) Solid Waste Management

Waste collected from selected points of the authorized areas of the Sabha were dumped onto the land called Aphrothwatta, Udugama and decaying waste had been used for production of compost manure. Following the selling of marketable waste material the balance had been dumping into a pit of an outside area of the yard and covered with soil. Although the land on which the waste were dumped was owned by the Divisional Secretary, no action had been taken transfer its ownership. Under the Circular No.PL/1/5/12 I issued by the Ministry of Provincial Councils and Local Government on regularization of waste management, a long-term, plan should be submitted following establishment of a separate unit for solid waste management, no such arrangement had been prepared. The Sabha had not obtain even an environmental licence either for this purpose.

(d) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

(e) Non availability of anticipated benefits

During years 2014 and 2015 a new addition was made to Head Office spending a sum of Rs.591,246. However due to non completion of its constructions even by the end of the year under review, the building could not be utilized.

3.2 Management Inefficiencies

The following inefficiencies were observed.

- (a) The Pradeshiya Sabha had not paid attention to identify developed areas within the limits of authority and to recover rates and taxes having declared the same as

developed areas in terms of Subsections 134(1) and 134(2) of the Pradeshiya Sabha Act No.15 of 1987.

- (b) Although an Environmental Safety Licence shall be issued by a Pradshiya Sabha in respect of activities referred to under Part “c” of the first schedule of the Gazette No.1553/16 dated 25 January 2008 in terms of the National Environmental Act No.47 of 1980 and regulations enacted thereunder, 14 such industries had not obtained environmental safety licence for such industries established within the limits of authorized area and initiated no legal action in this regard.
- (c) Aothough 07 stalls owned by the Sabha had been rented out over a period of 16 years, agreements had not been signed in this regard in terms of the Circular No. දපපා/පපාකො/2010/01 dated 27 December 2010 of the Commissioner of Local Government.
- (d) In 2003, 2007 and 2013 10 receipt books, 26 counterfoil books, 14 bill books, 12 fine receipt books and 47 pre school fee collecting books had been disappeared, no action taken regarding the same.

3.3 Human Resources Management

----- Staff Vacancies and Excess -----

Action had not been taken either to regularize the excess staff employed in 11 posts in excess of the approved cadre of the Sabha or to fill vacancies existed in 10 posts.

3.4 Assets Management

3.4.1 Non registration of Assets

The following observations were made..

- (a) 04 tractor tyres and 02 tractor trailers tyres to the value of Rs.132,788 purchased in 2014 and 2015 under Pradeshiya Sabha Augmentation Programme had not been registered and remained idle in the store..
- (b) The value of a peddle cycles remained in the store had not been brought to the Assets Register and no action taken to identify and register the same.

3.4.2 Idle and Under Utilized Assets

Backhoe kept away from use of the Sabha remained idle since 2011 and a JCB, a Tractor, a Trailor and a Water Bowzer had been parked idle.

4. **Accountability and Good Governance**

4.1 **Budgetary Control**

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) The total of non targetted revenue of 03 expenditure captions amounted to Rs.10,362,697, the value of which ranged between 10 percent to 28 percent.
- (b) The total of 05 expenditure captions totalling Rs.885,195 was observed as an income exceeding budget, the value of which ranged between 02 percent to 85 percent.
- (c) Savings of Rs.10,272,188 were available which being th total of 09 expenditure captions, the value of which ranged between 04 percent to 43 percent.

4.2 **Internal Auditing**

Although an Internal Auditor had been appointed by the Sabha, a sufficient internal auditing had not been carried out.

5. **Systems and Control**

Shortcomings observed at auditiong were brought to the notice of the Sabha from time to time and special attention shall be paid to the following areas of control.

System	Defect
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(a) Accounting	(i) Non settlement of balances being brought forward.
	(ii) Non settlement of the balance of the Suspense Account.
(b) Vehicle Control	Non disposal of vehicles remaining idle.
(c) Budgetary Control	Particular attention had not been paid to the estimated revenue and actual revenue and non effecting revisions to brdget accordingly.

- (d) Maintain Registers/Documents
 - (i) Having not maintained documents.
 - (ii) Fixed Assest Register had not been updated.
- (e) Staff Management
 - Action had ot been taken to regularize the staff.
- (f) Collection of Revenue
 - (i) Not declared rate zone and non recovery of revenue
 - (ii) Non availability of a formal arrangement to recover revenue in arrears.