

Nuwaragam Palatha East Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements of the year 2017 had been presented to audit on 29 March 2018 and the Report of the Auditor General on the financial statements had been sent to the Chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in paragraph 1.3, the accompanying financial statements give a true and fair view of the financial position of the Nuwaragam Palatha East Pradeshiya Sabha as at 31 December 2017, and of 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) Revenue of the year and arrears in income earned from Court fines had been understated by the amount of Rs. 859,741 as revenue earned from Court fines amounting to Rs. 859,741 related to July and August of the year under review had not been brought to accounts.
- (b) Balances of fixed assets account and contribution from revenue to the employed capital accounts had been under stated by Rs. 770,572 as the amount of Rs. 770,572 which was the value of 696 galvanized pipes supplied to the Sabha by Divineguma Development Department in November 2014 had not been brought to accounts.
- (c) Buildings, furniture and equipment amounting to Rs. 43,690,895 provided under North East Local Services Improvement Project and a balance of Rs. **24,228,699** out of the value of Road Development Projects had not been brought to accounts and as a result, balances of fixed assets account and contribution from revenue to the employed capital account had been understated by that value in the year under review.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) Reconciliation amounting to Rs. 1,472,413 existed between Pradeshiya Sabha Reports and ledger accounts that were being maintained by the Sabha.

- (b) The value of fixed assets was Rs.180,431,370 at the end of the year under review. However, the balance of the contribution from income to employed capital was Rs. **181,951,330** and as a result, a difference of Rs. 1,519,960 was existed between the two accounts.
- (c) Even though the payments of the General Cash Book was Rs. **47,372,105**, a difference of Rs. **243,085** existed as the total of payment expense in the year was Rs. **47,615,190**.

1.3.3 Receivable and Payable Accounts

Action had not been taken even in the year under review to settle 05 balances of receivable accounts to the value of Rs. **26,794** and 02 balances of payable accounts amounting to Rs. **811,017** that have been carried forward from several years and the institution had not maintained a time analysis of those balances and information required to substantiate the balances.

1.3.4 Non-availability of written evidences required for the Audit

The balance of lands and buildings amounting to Rs. **132,449,658** that has been prevailing for a longer period of time could not be satisfactorily substantiated at the audit due to non-presentation of information such as documents pertaining to buildings, deeds/ transfer documents related to the substantiation of possession and physical assets.

1.3.5 Non-compliances with Laws, Rules, Regulations and Management Decisions

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

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance
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<p>(a) Pradeshiya Sabha Act No. 15 of 1987 Section 177</p>	<p>Action had not been taken to introduce a by-law for the establishment of a Programme for the payment of gratuity for temporary and casual employees serving in the Sabha.</p>
<p>(b) Pradeshiya Sabha (Financial and Administrative) Rules of 1988 i. Rule No. 5 (11)</p>	<p>A proper security methodology had not been adopted for cash in transition and other valuable goods owned by the Sabha.</p>

ii. Rule Numbers 217 and
218

A register on the lands and building owned by the Sabha had not been maintained as per the Format P.S.46 and action had not been taken to examine all the lands and buildings once in every year.

(c) Treasury Circular No.
IAI/2002/02 of 28 November
2002

A separate register had not been maintained for computers and software used by the Sabha.

2 Financial Review

2.1 Financial Results

As per the Financial Statements presented, the revenue which exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2017 was Rs. **10,799,265** and the corresponding revenue which exceeded the recurrent expenditure in the previous year was Rs. **5,019,69**

2.2 Administration of Revenue

2.2.1 Estimated Revenue, Actual Revenue and Arrears in Revenue

Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below.

Source of Revenue	Opening Balance as at 01 January 2017	Billed Revenue In the year 2017	Revenue Collected In the year 2017		Arrears in income as at 31 December 2017
	Value	Value	From arrears as at 01.01.2017	Billed amount in 2017	Value
	Rs.	Rs.	Rs.	Rs.	Rs.
Rentals for shops	79,085	387,000	67,300	317,100	81,685
Tenders	-	702,075	-	657,443	44,632
Business and Industry	-	1,500,000	-	2,254,540	-
Taxes	-		-		-
Trade Licenses	-	175,000	-	254,937	-
Total	79,085	2,764,075	67,300	3,484,020	126,317

2.2.2 Rates

Action had not been taken by the Sabha to impose and levy a rate on the annual value of any immovable property or any species of immovable property situated in localities declared by the Pradeshiya Sabha,

2.2.3 Rentals

Action had not been taken to recover arrears in rentals amounting to Rs. **44,632** that should be receivable from two tenants even by the end of the year under review.

2.2.4 Court Fines and Stamp duties

Action had not been taken to recover arrears in fines amounting to Rs. **1,741,619** as stipulated in Schedule 1 as per Section 129 (2) (a) of the Pradeshiya Sabha Act No. 15 of 1987 and arrears in stamp duties amounting to Rs. **27,705,950** as stipulated in Section 129 (2) (b).

3 Operational Review

3.1 Performance

The matters revealed on the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area under Section 3 of the Pradeshiya Sabha Act are mentioned below.

(a) By-laws

Although by-laws should be enacted in terms of section 122 of the Pradeshiya Sabha Act to fulfill the 28 matters specified under section 126 of the Pradeshiya Sabha Act, the Central Provincial Council had not implemented the functions as per the instructions of the Gazette Notification even though that the Sabha has published in the Gazette No. 2030 dated 28 July 2017 that the Sabha has adopted the standard by-law No.1960/35 published by the North Central Provincial Council in the Gazette dated 30 March 2016.

(b) Action Plan

An annual action plan had not been prepared in terms of Public finance Circular No.1/2014 of 17 January 2014 for functions that should have been accomplished by the Sabha.

(c) Sustainable Developmental Targets

Actions taken by the Pradeshiya Sabha pertaining to the Sustainable Developmental Goals had not been reported to the Audit.

3.2 Management Inefficiencies

The following deficiencies were observed pertaining to the implementation of the recommendations and proposals stipulated in the Circulars on Local Government Reforms.

Circular No.	Recommendation No.	Subject	Deficiencies
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(a) 09	07	Cemeteries	i. Non declaration of cemeteries and burial grounds under Provisions of Cemeteries and Burial ii. Not functioning in accordance with the procedure mentioned in relation to 07 facts including safe guarding the documents pertaining to the possession of the Cemeteries.
(b) 06	2.2 (iii) 03	Maintenance of Roads	Not establishing a road maintenance system that is uninterruptedly executed. Non declaration of the limits of roads owned by the Sabha by publishing notifications in gazettes.
(c)			Action had not been taken even by 31 December 2017 to function in terms of FR 103 to 108 in relation to the misplacement of 526 flag poles amounting to Rs. 582,358 out of the 696 galvanized flag poles amounting to a total of Rs. 770,572 supplied by the Divineguma Development Department on 17 November 2014 and to identify responsible officers in that regard and to recover the loss.

(d) Non allocation of Provisions

Even though approval had been granted for Provisions amounting to Rs. **716,920** for 04 functions that should be accomplished by the Sabha as per the Action Plan that had been prepared, those projects could not be implemented during the year under review due to non-receiving of the estimated revenue.

4. Accountability and Good Governance

4.1 Budgetary Control

There were variations in the range of 37 per cent to 112 per cent between budgeted revenue and actual revenue for 04 items of revenue owing to the preparation of budget estimates without proper forecasting. Likely, there were variations in the range of 24 per cent to 98 per cent between budgeted expenditure and actual expenditure for 06 items of expenditure. Accordingly, it was observed that Budget had not been utilized as an effective management controlling agent.

4.2 Internal Audit

Even though an Internal Auditor had been appointed, an internal audit had not been conducted and audit report had not been presented

4.3 Implementation of Audit and Management Committees

In terms of the Circular bearing No. DMA 2009 (1) of 09 June 2009 issued by the Department of Management Audit, Audit and Management Committees had not been established for the year 2017.

5 Systems and Control

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention should be paid on the following fields of control.

	System	Deficiency
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(a).	Collection of Revenue ආදායම් රැස් කිරීම.	i. Non valuation of properties. ii. Non preparation of accurate revenue estimates. iii. Inefficiency in the collection of revenue.
(b)	Planning	Non preparation of a Corporate Plan, Action Plan and a procurement Plan
(c)	Control in Debtors / Creditors	i. Non preparation of a time analysis. ii. Non preparation of schedules. iii. Non identification and settling of balances that are existing for a longer period of time.
(d)	Solid Waste Management	Not taking action to recycle solid waste that are not decomposing.