

Naula Pradeshiya Sabha
Mathale District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017, had been presented to audit on 29 March 2018 and the Auditor General's Report on the financial statement had been sent to the Chairman on 28 June 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 gave a true and fair view of the financial position of the Naula 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

The following accounting deficiencies were observed in audit.

- a) Stock of Ayurveda drugs as at the end of the year under review had not been verified and taken in to accounts.
- b) Capital aid amounting to Rs.7, 105,131 received under the programme for Strengthen Pradeshiya Sabha during the year under review had been taken in to accounts as recurrent aid thus the capital revenue had been understated and recurrent revenue had been overstated by the same amount.
- c) Interest income on fixed deposits amounting to Rs.48, 016 for the month of December of the year under review had not been taken in to accounts.
- d) The total value of 06 cabinets, 01 printing Machine and roofing sheets purchased during the year under review amounting to Rs. 214,980 had been taken in to accounts under the recurrent expenditure.
- e) A sum of Rs. 35,514 incurred for sucking the pit of the Naula public toilet had been taken in to accounts under the capital expenditure thus the capital expenditure had been overstated by the same amount.
- f) The value of a contract of which the funds was not to be reimbursed had been shown under the debtors thus the value of debtors had been overstated by Rs. 980,000.
- g) Value of 2 buildings of which were not a physical existence had been taken in to accounts thus the balance of lands and buildings had been overstated by Rs.186,500.

1.3.2 Unreconciled Accounts

Difference were observed between the balances of 8 accounts items aggregating Rs. 187,195,266 shown in the financial statements and relevant subsidiary registers and records and the total of the difference observed was Rs.5 ,814,427.

1.3.3 Receivable and payable accounts

a) Accounts Receivable

The total of 7 receivable accounts as at the end of the year under review was Rs. 17,959,206 and according to the age analysis presented a balance of Rs.2,687,966 remained unsettled over a period more than 3 years had included in it.

b) Accounts Payable

The total of 2 balances of payable accounts as at the end of the year under review was Rs. 11,528,848 and according to the age analysis presented balances of Rs.2,483,577 remained unsettled over a period more than 3 years had included in it.

1.3.4 Lack of Written Evidence for Audit

Information not being presented to Audit

Four items of accounts aggregating Rs. 116,504,933 could not be satisfactorily verified due to non-availability of necessary information.

1.3.5 Non- compliances with Laws Rules Regulations and Management Decisions

Instances of non-compliance with laws rules regulations and management decisions are given below

Reference to Laws, Rules, Regulations and management decisions	Amount Rs.	Non - Compliance
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Pradeshiya Sabha Rules of 1988 (Financial and Administration		
(i) Rule 96	5,42,861	A voucher as per the format P.S.35 had not been prepared when investing money in fixed deposits.
(ii) Rule 217	-	The fixed assets register

had not been maintained up to the date.

(iii)	Rule 218	-	All of lands and buildings had not been verified.
	Section 22 (1) of the Urban Development Authority Act No.41 of 1978 (Amended by the Special Gazette No.935/6 dated 06 August 1996)	-	Due amount of land which should be transferred to the Sabha for common services had been obtained less by 76 per chace in 2 instances of auctioning subdivisions of lands over than a hectare.

2. Financial Review

2.1 Financial Results

According to the financial staements presented, the revenue of the sabha for the year ended 31 December 2017 in excess of the recurrent expenditure was Rs.13,341,726 whilst the corresponding revenue in excess of recurrent expenditure of the previous year was Rs.12,901,184. Capital aid amounting to Rs.7, 105,131 received under the programme for Strengthen Pradeshiya Sabha during the year under review had been taken in to accounts as recurrent aid thus the capital revenue had been understated and recurrent revenue had been overstated by the same amount.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Bill amount of Revenue, collected revenue and Outstanding Revenue

Details relating to the estimated revenue bill amount of revenue, collected revenue and outstanding revenue presented for the year under review and the previous year are given below.

Source of Income	2017				2016			
	Estimated Revenue	Bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December	Estimated Revenue	bill amount of Revenue	Collected Revenue	Total outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rate and Taxes	1,718,000	1,655,539	1,356,726	1,416,942	1,729,000	1,655,539	2,310,81	1,096,470
Rent	2,021,800	929,550	2,000,582	260,195	2,029,800	936,600	1,855,274	290,145
Licences Fees	1,252,500	-	1,291,040	-	1,016,000	-	1,094,700	-
Other Revenue	4,880,000	1,734,823	5,079,887	227,636	3,175,500	2,234,588	6,082,240	199,085

2.2.2 Rates

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- (i) The outstanding balance of rates as at the end of the year under review was Rs. 1, 416, 92 and it was 9 per cent of the bill amount of Rs. 1,655,539 for the year.
 - (ii) The outstanding balance relating to 13 units of the Naula City remained over a period from 3 years to 10 years was Rs. 128,593 and actions had not been taken by the Sabha as per the Rule 33 of 1988 Pradeshiya Sabha Rules (Finance and Administration)

2.2.3 Water Charges

The outstanding revenue of water charges as at the end of the year under review was Rs. 227,636.

2.2.4 Court Fines and Stamp Fees

The receivable amount of Court Fines and Stamp Fees from the chief secretary to the provincial council and other officers as at 31 December of the year under review was Rs.489,673 and Rs.3,240,640 respectively.

3. Operating Review

3.1 Performance

The following observations are made in respect of duties which should be fulfilled by the sabha as per the Section 3 of the Pradeshiya Sabha Act relating to formulate and administrate public health, common utility services and common roads, people's cordiality, convenience and welfare.

a) Action Plan

Ten development projects included in the action plan of which a provision of Rs.3, 200,000 had been in the budget for the year under review, had not been full filed and a sum of Rs. 2,950,000 had been incurred for 3 other projects. Hence it was observed that public requirements and other information had not been identified when preparing actions plan.

b) Non -achieving of Expected Production Level

Out of the provision of Rs. 195,000 made from the programme for strengthen pradeshiya Sabha , a sum of Rs.178,750 had been paid for 27.5 machine hours for removing 213 cubes of soil from the weekly fair by using a backo machine hiring from a private institute and to fill the Nalanda Library premises and to improve vehicle parking facilities of the weekly fair . Out of the soil removed, only 15 cubes had been transported to the library premises and it was observed in the spot verification carried out on 23 February 2018 that 198 cubes of soil removed had been remained at the weekly fair premises due to the safety wall not being built in the library premises as expected.

c) Solid Waste Management

An amount of garbage between 1 ½ to 2 Metric tons which was daily collected in the jurisdiction of the Sabha had been removed to Serudandapola land. Although garbage had been separated as degradable and non-degradable, it had not been used to produce fertilizer and a methodology of burning had been followed for non-degradable waste. The land 2 Acres 3 rude in extent could not be transferred since the year 2013.

d) Sustainable Developments Goals

Under the sustainable development 2030 agenda the sabha had identified sustainable development goals which a healthy society and to minimize the poverty and inequality under the objectives of better environment of health and improvement of infrastructure facilities. However there was a problematic situation for achieving those targets due to unavailability of sufficient staff, lack of resources and unavailability of adequate training.

3.2 Management inefficiencies

The following observations are made

- a) There were differences between the reports of rate balances obtained from the computer software maintained for rates and rate registers. Even though the balance according to the computer records had been used for preparing final accounts, accuracy of the said balance could not be verified.
- b) A problematic situation had been occurred for recovering rates due to preparing bills based on the rate register which had been entered the details after assessing places which should not charge rates as per the Pradeshiya sabha Act in the year 2009 and for the places of which the owner of the place had not been identified.
- c) Actions had not been taken to search and settle the value of Rs.1,415,631 included in the balances of debtors and creditors since the year 2014 relating to 6 contracts which had been full filed half and terminated and not being carried out further.
- d) Although the sabha should act in its own jurisdiction as the general administration authority of germination and securing of public health, competeness tests of water had not been done for 3 water projects. According to the competent tests reports relating to water distributed by 8 water projects which were controled under the Community based organizations, water was not in a suitable level for drinking. Nevertheless actions had not been taken to make rectifications for reffering to a refinery process.

3.3 Human Resources Management

The following observations are made

- a) Vehicles belonged to the Sabha could not be used effectively because there were only 2 drivers to run 9 vehicles and 2 machines.

- b) Even though there were 7 road laborer posts and 9 sanitary laborer posts in the approved cadre, number of road laborers was 6 and number of sanitary laborer was 4 and 3 road labourers had been deployed in other duties. Hence there was a situation of which daily duties of the Sabha could not be full filled.
- c) Actions had not been taken to update the personal files and to permanent the posts relating to 5 employees who had been awarded permanent posts in accordance with the Circular No. 2/2014 dated 12 November 2014.
- d) Actions had not been taken to recover a sum of Rs. 199,920 receivable from a former Secretary since the year 2012.

3.4 Operational Inefficiencies

The following observations are made

- a) Although the approval had been given for 175 building applications received during the year under review and the preceding year, out of those applications certificates of confirmation had been issued only for 62 applications.
- b) Rate tax had been charged based on the estimate of the year 2009 without taking actions in accordance with the Local Government Circular No.1988/22 dated 17 May 1988.
- c) Without being taken actions to recover an estimated rent as per the Circular of the Commissioner of Local Government Central Province No. 2016/03 dated 17 March 2016 stall rent had been recovered from 36 stalls as Rs. 2000 per each based on the Council Decision dated 30 May 2013.

3.5 Assets Management

3.5.1 Assets not being secured

- a) Actions had not being taken to survey and register the ownership of 4 lands belonged to the Sabha which had been received to the Sabha by transfer orders and another 5 lands still being used by the Sabha and 42 cemeteries belonged to the Sabha had not been surveyed and prepared deeds.
- b) Actions had not been taken to secure by installing boundary fence for 8 lots of land 1 Acres 3 rude and 17 per chase in extent which had been transferred to the Sabha out of the lands subdivided and auctioned and to use for common activities effectively.

3.5.2 Idle and Underutilized Assets

The following observations are made

- a) The tourist facility Center associated with historical Nalanda Gedige which had been constructed as at the end of the year 2015 incurring a sum of Rs. 2, 452,591 under the provision of the Department of Central Province Trade Commerce and Tourism without being carried out a feasibility study could not be able to open even up to the end of the year under review and wilderness.

- b) Supply of electricity for pump house of Alugolla Nildiyadahara Community Water Project which had been constructed in the year 2008 incurring a sum of Rs. 3,600,000 under the provision of Rural Water Supplies and Sanitary Project had not been completed over a period of 8 years and the destroyed electricity supply of Senagama Jalaudara community water project which had been constructed in the year 2008 incurring a sum of Rs. 3,600,000 under the Second Community Water Supply and Sanitary Project had not been repaired. As a result those projects had remained idle.

3.5.3 Vehicle Utilization

The following observations are made

- a) Accuracy of the travels on duty had not been confirmed by the officer who had attached to the duty by signing daily running charts as per the Financial Regulations 1645 of the Democratic Socialist Republic of Sri Lanka in connection with 6 instances of running of the cab No. PF-7376.
- b) The road roller valued at Rs. 7,967,144 received to the Sabha on 06 February 2015 under the programme for distribution of basic plant and machinery which was needed for maintenance unit of Local Government Institutes had remained idle since the year 2016.

3.6 Procurement

3.6.1 Procurement Plan

According to the Government Procurement Guideline 4.2.1, a master procurement plan and a detailed procurement plan including civil works and goods and other services had not been prepared whilst purchasing's of Rs. 2,511,314 had been made during the year under review. According to the Guideline 4.2.2, a procurement timetable had also not been prepared.

3.6.2 Supplies and Services

The following observations were made in connection with purchasing made in the year 2017.

- a) Quotations called had not been deposited in the tender box as per the 1988 Pradeshiya Sabha Rules (Financial and Administration) 178 (7) (2).
- b) Day stamps had not been applied on the envelopes in which the quotations had been sent relating to purchasing amounting to Rs. 865,893 as per the Rule 178(7) (4) and (5) and as a result it could not be confirmed that the quotations had been received before the closing date of calling tenders.
- c) Actions had not been taken as per the Rule 178 (9) (4) for selecting suppliers who had presented a price more than the lowest in 2 instances of purchasing of Rs.291, 397.
- d) Purchasing of Rs.449, 497 had been made in 4 instances without presenting short and clear specifications as per the paragraph 5.6 of the Procurement Guideline.

3.6.3 Contract Administration

Kinihiri kanda Water Project

The following observations are made in respect of implementation of above mentioned project on the provision of Rs. 1,000,000 and Rs.1, 500,000 received under the Provincial Specific Development Grant in the years 2016 and 2017 respectively.

- a) Although it had been estimated to Rs. 1,500,000 to construct the water store tank of the project for 30 work items including the labor contribution, when carrying out the project, an estimate of Rs.67, 227 had been made for 4 new work items in addition to the said estimate and the estimated amount had been increased by Rs. 245,902 for 5 work items. Further 6 work items amounting to Rs. 227,461 were not needed to be full filled thus it was observed that estimates had not been prepared after a proper spot examination and study.
- b) It was observed in the spot examination that granite and dust had arisen in the bottom of the well-constructed based on the water source. However reports relating to the competence of the water of the well had not been obtained after testing.

4. Accountability and Good Governess

4.1 Budgetary Control

The following observations were made

- a) Targeted revenue relating to 5 revenue items could not be achieved in a range of 18 per cent to 78 per cent.
- b) Revenue of Rs.11, 707,673 had been earned relating to 4 revenue items without being estimated.
- c) Variations were observed in a range of 36 per cent to 99 per cent between the net provision and actual expenditure relating to 16 expenditure items.
- d) Expenditure of Rs. 3,075,984 had been incurred exceeding the limits of provisions of the approved budget relating to 20 expenditure items.
- e) Even though budgeted provision of Rs.376,000 had been made for 15 expenditure items, any expenditure had not been incurred.

4.2 Audit and Management Committees

Although audit and management committees had been held as per the letter of the Commissioner of Local Government No CPC/CLG/1/9/1/4 dated 08 August 2014 , there were instances of which the decisions of those committees had not been used effectively for rectification of weaknesses of the institute.

5. Systems and Controls

Defficiencies observed in the course of audit were brought to the notice of the Sabha from time to time and Special attention is needed in respect of the following areas of control.

<u>System</u>	<u>Deficiency</u>
a) Revenue Administration	(i) Registers no being maintained properly (ii) Delays in banking revenue
b) Staff Management	Vacancies not being filled
c) Assets/Property Management	(i) Not being entered in to registers (ii) Accurate value of assets no being confirmed. (iii) Underutilization and idle of assets (iv) Ownership and security of assets not being confirmed
d) Budgetary Control	(i) Provisions not being utilized (ii) Revenue targets not being achieved