

Nivithigala Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 18 July 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 Nivithigala 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 matters were observed.

- (a) Nivithigala weekly fair and the bus stand of which constructions completed and vested to the Sabha in the year under review had not been capitalised and as such the property, plant and equipment had been under stated by Rs.78,223,877.
- (b) A sum of Rs.27,725 incurred for purchasing of fixed assets had been brought to account as recurrent expenditure and as such the operating surplus had been understated by similar amount.
- (c) The value of land and buildings of the Sabha had not been assessed and brought to account.

1.3.2 Unreconciled Accounts

A difference of Rs.12,549,287 was observed between the balances of the financial statements and the balances of the subsidiary registers in respect of 06 items of accounts as at the end of the year under review.

1.3.3 Lack of written evidence for Audit

Five items of accounts totalling Rs.74,841,186 could not be satisfactorily verified in audit due to non-submission of required evidence for audit.

1.3.4 Non-compliances

Non-compliance with Laws, Rules and Regulations etc.

The instances of non-compliance with laws, rules, regulations and management decisions observed in audit are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
-----	-----	-----
	Rs.	
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
(i) Financial Regulation 371	200,000	The advance granted to the work of concreting temple road Labuwathththa, Hangamuwa in February 2010 had not been settled even by the end of the year under review.
(ii) Financial Regulation 571	748,170	Action had not been taken on lapsed deposits relating to the period from the year 2008 to 2015.
(b) By law of part 5(5) of iv (b) of the Extra ordinary Gazette. No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988.		Even though, the written information had been made to remove or regularize of 09 unauthorized constructions identified during the year under review, no response had been made thereon while the Sabha had not removed those constructions.

- (c) Treasury Circular No. 1A1/2002/02 dated 28 November 2002 - An Assets Register had not been maintained in respect of computers and computer accessories.
- (d) Provincial Treasury Circular of the Sabaragamuwa Provincial Council No. 02/2017 dated 08 February 2017 316,376 Despite that, there were registered suppliers for the relevant goods, the goods had been purchased from unregistered suppliers.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.9,650,864 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.6,434,016.

2.2 Revenue Administration

2.3.1 Estimated Revenue, Billed Revenue, Collected Revenue and the Arrears of Revenue

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

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	3,122,403	3,043,121	3,138,589	1,402,095	2,524,905	2,846,862	3,332,502	1,518,263
Lease rant	4,165,100	4,097,000	4,053,050	105,950	4,076,500	3,881,850	3,907,050	62,000
Licence fees	406,900	380,210	376,710	5,000	272,600	334,656	334,656	1,500
Other revenue	14,435,800	14,977,101	10,213,649	14,157,014	10,432,983	10,748,111	7,125,533	9,393,632

2.2.2 Performance in Collection of Revenue

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 item of rates and taxes by 01 per cent and the revenue collected with regard to the revenue items such as lease rent, licence fees, service charges, warrant charges and fines, other revenue and the contribution made by the Government had decreased by 03 per cent, 07 per cent, 04 per cent, 57 per cent, 23 per cent and 30 per cent respectively as compared with the estimated revenue.

2.2.3 Rates and Taxes

(a) Rates

A balance of rates totalling Rs.1,166,947 should be receivable for the Sabha from 805 units of rates as at 31 December 2017 and it included a balance of Rs.471,188 receivable from 198 units of rates of which the arrears period more than 05 years. The action of the Sabha in respect of the recovery of those arrears of rates had been at a weak level.

(b) Acreage tax

The balance of arrears of acreage tax receivable as at 31 December 2017, amounted to Rs.90,862 and out of that the balances totalling Rs.75,871 were older than 05 years. The follow up action on the recovery of those arrears of taxes had been at a weak level.

2.2.4 Other Revenue

The following matters were observed.

- (a) The Sabha had failed to recover the business tax for the year under review totalling Rs.259,690.
- (b) A sum of Rs.34,070 recoverable for the advertisement hoardings displayed within the authoritative area of the Sabha had not been recovered even by April 2018.

2.2.5 Stamp Fees

The Sabha had failed to identify and to recover the arrears of stamp fees relating to the period from January 2015 to December 2017.

3. Operating Review

3.1 Performance

The matters revealed on the execution of activities to be carried out by the Sabha such as regularize and control over the matters relating to the public health, public utility services and public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) By- laws

In terms of Section 126 (ix) (b) of the Pradeshiya Sabha Act No.15 of 1987, the sewage and the scavenging service and the recovery of charges thereon had been shown as a matter subjected to the by – laws. Nevertheless, action had not been taken by the Sabha to impose a by-law to recover the fees in respect of the scavenging service.

(b) Activities not Executed

Even though, the provisions of Rs.55,000 had been allocated in the annual budget to provide lavatory facilities for the low income beneficiaries and to provide school equipment to the children of the low income families, no such welfare activities whatsoever had been implemented during the year under review. However, it was informed to audit, that a request had been made to the Subject Minister through the Assistant Commissioner of Local Government to obtain the approval for the requests made to the Pradeshiya Sabha, for the grants but the welfare activities could not be carried out during the year under review as the approval was not given to that request.

(c) Solid Waste Management

As a failure to acquire a land to manage the bio degradable waste collecting by the Sabha, it could not be planned and maintained a proper waste management system.

(d) Sustainable Development Goals

As the Sabha had not aware of the 2030 Agenda of the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Management Inefficiencies

The house rent totalling Rs.150,766 received during the period from the year 2011 to 2017 had been retained in the deposit account without being paid to the respective house owners.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) A sum of Rs.1,201,200 had to be recovered by May 2018 as the charges had been under recovered from 06 telecommunication transmission towers and none of the charges had been recovered from 03 telecommunication transmission towers contrary to the charges to be recovered in the construction of the telecommunication transmission towers in terms of the Schedule V of the amendments made to the Directives of 1986 of the Plans and Buildings of the Urban Development Authority published in the Extra – ordinary Gazette No. 1597/8 dated 17 April 2009 of the Democratic Socialist Republic of Sri Lanka.

- (b) Even though, the approval of the Commissioner of Local Government had been requested on 22 February 2017 for reconstruction of the damaged place of Polwatta Foundation Road and the damaged place of Galaudawatta road of which estimated cost totalling Rs.43,290, the said approval had not been granted even by April 2018. As the delays of the relevant reconstruction works, there was a risk of further dilapidation of those roads and a risk of a high cost to be incurred was shown.

3.4 Assets Management

- (a) Assets not Transferred
-

Even though, the provisions of Rs.400,000 had been made in the annual budget for the activities of acquisition of the ownership of cemeteries of the Sabha, it was failed to transfer of those during the year under review.

- (b) Idle Assets
-

Even though, a cab vehicle and a tractor had been handed over to the Development and Construction Authority for repairs in May 2015, the repairs had not been done even by the end of the year under review. Action had not been taken either to repair quickly of those vehicles remained idle for over a period of 2 years or to dispose if could not be repaired.

3.5 Procurements

A Procurement Plan for the year under review had not been prepared by the Sabha.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) The entire provisions totalling Rs.2,391,167 made for 33 Objects had been saved.
- (b) Out of the total provisions of Rs.21,819,346 made for 12 Objects, the savings had ranged from 80 per cent to 96 per cent.

4.2 Audit and Management Committees

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

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha from time to time. Special attention is needed in respect of the following areas of controls

System	Deficiency
-----	-----
(a) Accounting	(i) Failure to identify Expenditure
	(ii) Overstatements of revenue
	(ii) Non-reconciliations of ledger accounts and subsidiary registers
(b) Revenue Administration	Non – recovery of due revenue
(c) Assets Utilization	Existence of idle and underutilized assets.
(d) Budgetary control	Savings on provisions.
(e) Solid Waste Management	Non- disposal of waste properly.