

Naula Pradeshiya Sabha
Mathale District

1. Financial Statements

1.1 Presentation of The Financial Statements

The financial statements of the year 2018 had been presented to the audit on the 23 April 2019 and the summary report of the Auditor General and the detailed management report regarding the financial statements had been presented to the Chairman on 31 May 2019.

1.2 The Qualified Opinion

I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the state of affairs of the Naula Pradeshiya Sabha as at 31 December 2018 and financial results of its operations for the year then ended.

1.3 The basis for a Qualified opinion

1.3.1 Accounting deficiencies

Audit observation -----	Recommendation -----	Accounting Officer's Commentary -----
(a) The library book value had been understated by an amount of Rs.67, 762 in the year under review.	The understated balance of library book balance should be accounted.	I accept the points shown in the audit. I inform you that of these shortcomings will correct in the future.
(b) An amount of Rs.451, 957 that had retained for the shops as per the agreement was not included in the financial statements.	Retained cash should be included in the financial statements accurately.	I accept the points shown in the audit. I would like to inform you that this money was retained for contracts entered into many years ago.

(c) A total amount of Rs. 59,660 of a loudspeaker and a 24-inch television that had purchased within the year under review had not been capitalized.

Assets should be accounted accurately.

I accept the points shown in the audit. In preparation of next year's account, I will be taken actions to account under the assets.

1.3.2 Non reconciled Control I Accounts

Audit observation

Recommendation

Accounting Officer's
Commentary

It had been observed a difference of Rs. 1,190,774 when compare the total amount of Rs. 3,717,142 of 04 accounts subject stated in the financial statements with their relevant schedules supporting documents.

Actions should be taken to correct the accounts by comparing the differences of the balances.

I acknowledge the point made in the audit on assessment tax and employee guarantee investments. And I notice that the correct balance of the shop rent is Rs.378, 735 and the Ayurvedic stock is Rs.151,765.

1.3.3 Accounts Receivable and Accounts Payable

Audit observation

Recommendation

Accounting Officer's
Commentary

(a)Accounts Receivable

The receivable balances that had elapsed 03 years amounting to Rs. 1,961,503

Actions should be taken to collect the receivable balances.

Actions are taking for collect the receivable amounts.

(b)Accounts Payable

Audit observation

Recommendation

Accounting Officer's
Commentary

The payable balances that had elapsed 03 years amounting to Rs. 114,270

Actions should be taken to settlement the payable balances.

These balances include non-refundable library deposits and security deposits for risky projects.

1.3.4 Lack of written evidence required for the audit

Audit observation

Recommendation

Accounting Officer's
Commentary

03 accounting subject worth of Rs.35,168,530 had not been vouched satisfactorily in audit due to non submission of the audit evidence to the audit.

Schedules for arrears of assessment tax should be prepared.

Balance has been obtained from the records obtained by the computer software and is currently balancing the assessment documents.

1. 4 Non-compliance

1.4.1 Non-compliance with laws,rules, regulations and management decisions

References
To laws,rules
regulations and
management
decisions

Non-compliance

Recommendation

Accounting Officer's
Commentary

- (a) PradeshiaSabha
(financial and
administration)
Rules 1988

- (i) Rule 217 The schedule about all the buildings and lands had not been maintained according to the format of p.s 46. Asset of theSabhashould be surveyed and documents should be prepared. I will take action to correct these shortcomings in the future.

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|------|--|--|---|---|
| (ii) | Rule 218 | All lands and buildings in the council, roads, cemeteries, playgrounds, public wells, tube wells and vehicles were not surveyed. | Asset of the Sabha should be surveyed and documents should be prepared. | An asset survey is currently underway with regard to the lands and buildings owned by the Sabha. |
| (b) | Paragraph 3.1 Public Administration Circular No. 30/2016 dated 29th December 2016 | It had not been carried out Fuel combustions test of 03 vehicles of the sabha. | Actions should be taken to conduct a Fuel combustions test according to the instructions of the circular. | Steps will be taken to conduct a fuel combustion test. |
| (c) | Paragraph 4 of the Local Government Commissioner's Circular No: 2016/3 dated 17th March 2016 | Monthly rental of Rs. 2,000 had been charged from 48 shops and House based on a General Assembly decision dated 31st May 2013, without obtaining a valuation report. | Rent should be charged according to the valuation reports. | The new valuation has been received by the Department of Valuation currently and I will be charged the rental according to the new valuation in future. |

2. Financial Review

2.1 Financial Results

According to the presented financial statements, excess of revenue over recurrent expenditure for the year ending 31 December 2018 amounted to Rs. **2,372,332** as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. **13,341,726**.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, collected Revenue and arrears Revenue

Details of Estimated Revenue, Billed Revenue, collected Revenue and Arrears of Revenue for the year under review are as follows.

Source of revenue	2018				2017			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st	Estimated Revenue	billed revenue	Revenue collected	Total arrears as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,787,000	1,655,539	1,488,252	1,571,488	1,787,000	1,655,539	1,356,726	1,416,942
Rent	2,010,000	892,000	2,182,720	287,295	2,021,800	929,550	2,000,582	260,195
License fee	1,010,000	-	1,143,740	-	1,252,500	-	1,291,040	-
Other Revenue	7,053,000	-	3,003,690	192,853	4,880,000	1,734,823	5,079,887	227,636
Total	11,860,000	2,547,539	7,818,402	2,051,636	9,941,300	4,319,912	9,728,235	1,904,773

2.2.2 Rates and Taxes

Audit observation

Even though the rate balance of surcharged of Rs. 943,006 had occurred due the binomial error of computer as at the end of the year under review, actions had not been taken to corrected.

Recommendation

The binomial error must be corrected.

Accounting Officer's Commentary

Assessment surcharges have been double counted and documents of a number of years have been balanced to correct this.

2.2.3 Rentals

Audit observation

It had not been collected an arrears amount of Rs.339, 425 that to be received from 06 shops at the land of the Naula "Sathipola" and had closed from long time ago and 04 shops at common market.

Recommendation

Actions should be taken to collect the arrears amounts

Accounting Officer's Commentary

While the actions are being taking to write off an amount of Rs. 181,390 from this arrears balance and actions will be taken to collect the remainder in future.

2. 2. 4 Court fines and stamp fees

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
An amount of Rs. 438,660 of court fines and an amount of Rs. 4,692,860 of stamp fees had been remained to receive as at 31 December of the year under review.	It should be collected the arrears income promptly.	An amount of Rs. 411,785 had been received currently and action will be taken to collect the stamp fee in future.

3 Operational review

3.1 Performance

Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 3 of the pradeshiasabha act.

(a) Solid Waste Management

----- Audit observation -----	----- Recommendation -----	----- Accounting Officer's Commentary -----
The waste quantity about 1 to 2 metric tons that collected in the area of the authority of the sabha daily dumped into the land about 02 acres and 03 roods in Serudandapola that had not transferred, without proper procedure to dispose	Steps should be taken to manage the daily collected and non-decaying garbage without harming the environment.	Arrangements are underway to take over the land to the council. Further, it had plans to dump the amount of waste and non-decaying garbage currently being collected for the proposed Kawashima compost project by the Municipal Council of Dambulla. I will store as much recyclable material as possible.

(b) Sustainable Development Goals

Audit observation	Recommendation	Accounting Officer's Commentary
Although it had allocated an amount of Rs.270, 000 in the year 2018 under the 03 vote headings for achieve the goals of sustainable development by the sabha, those programmes had not been carried out.	Action must be taken to achieve the Sustainable Development Goals.	Although it had not been implemented under the provisions allocated for the Sustainable Development Goals in the year 2018 actions had been taken under other various programmes In order to achieve the Sustainable Development Goals.

3.2 Human Resource Management

Audit observation	Recommendation	Accounting Officer's Commentary
(a) There were 16 vacancies in the posts of approved staff of the Sabha.	Action should be taken to fill the vacant posts.	Requests have been made in writing to fill the vacancies of Development Officer, Management Assistant.
(b) No action has been taken to recover the outstanding debts of Rs. 199,920 which had not been recovered from a former sacked secretary since 2012.	Action should be taken to fill the vacant posts. Legal action should be taken to recover the debt balance.	Letters have been notified to recover the loan balance of an officer who was suspended in 2012 and if he could not taking actions accordance with it the legal action will be prosecuted.

3.3 Assets Management

3.3.1 Not Certifying the Protection Of The Assets

Audit observation

The ownership of 21 lands which had buildings and cemeteries that utilizing within long term had not been verified.

Recommendation

Security must be verified after documented to ensure ownership.

Accounting Officer's Commentary

A survey board has been appointed and an asset survey of the land and buildings belonging to the sabha is being carried out. Once the ownership is verified, necessary action will be taken to carry out surveys and take over to the Sabha.

3.3.2 Idle and underutilized Assets

Audit observation

- (a) 20 inventory items and 5941 books of various types were stored as idle in the building in the closed Kongahawela Public Library, Due to its location in the Moragahakanda Protected Area.
- (b) The Kinnihirikanda Water Supply Scheme implemented under the Provincial Specific Development Grant amounting to Rs.250,000 in the years 2016 and 2017, had not been completed as at end of the year under review and the water supply had not been carried out.

Recommendation

- It should be ensure the safety of inventory and books and utilize those materials effectively.
- Action should be taken to activate the water scheme promptly and to distribute water.

Accounting Officer's Commentary

- As soon as the Moragahakanda project receives a permanent or temporary building, I will use those inventory items.
- In 2016 and 2017, the wells were built and the water storage tank was built and piped to get water to the tank by gravity. I will state that when the allocation is made in the future, arrangements will be made to complete the project with remaining plumbing

3.3.3 Identified Losses

Audit observation

Recommendation

Accounting Officer's
Commentary

Although the industry of establishing Opalgala drinking water project in 2014 had not been fulfilled, The advance of Rs. 194,800 which had paid in October 2014 had not been recovered until 30 April 2019.

Action should be taken to identify those responsible and take appropriate action.

Although contracted to carry out this project legal action has been taken and the matter has been submitted to the Arbitration Board as the project was not completed as per the agreement.

3.3.4 Contract Administration

Audit observation

Recommendation

Accounting Officer's
Commentary

Seven community organizations were awarded a total value of Rs.1,700,000 without Registration and doing Eligibility test as per the Public Finance Circular 3.2 of 01/2012 dated 05 January 2012

Action should be taken as per circular instructions.

Accept. I will act accordingly in future.

4. Accountability and Good Governance

4.2 audit Queries which had no Answered

Audit observation

Recommendation

Accounting Officer's
Commentary

The financial statements for the year under review were presented for the audit on April 23, 2019.

Accounts should be submitted by the due date.

Accept. I will make sure that there are no such shortcomings in the future.