

**Negenahira Nuwaragam Palatha Pradeshiya Sabha  
Anuradhapura District**

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**1. Financial Statements**

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**1.1 Presentation of Financial Statements**

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The financial statements for the year 2018 had been presented to the Audit on 30 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 31 May 2019 and the detailed management audit report had been submitted on 09 July 2019.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Negenahira Nuwaragam Palatha Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3. Basis for Qualified Opinion**

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**(a) Accounting Deficiencies**

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**Audit Observation**

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Although the court fines revenue of the year under review amounted to Rs. 6,767,920, it had been brought to account as Rs. 7,006,418. Accordingly a sum of Rs. 238,498 had been overstated.

**Recommendation**

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Action should be taken to present the income of the year correctly in the account.

**Comments of the  
Accounting Officer**

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Since the schedule sent by the Department of Provincial Revenue for the month of December of the year under review had been received on 10.04.2019, at the time of providing schedules for the last account, that amount could not be specifically identified.

**(b) Unreconciled Accounts**

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**Audit Observation**

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According to the Employee Loan Register, the outstanding balance of

**Recommendation**

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The corrections should be made by comparing the

**Comments of the Accounting  
Officer**

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Accepted.  
Action will be taken to correct

19 employees as at 31 December of the year under review was Rs. 1,448,083, whereas according to the schedule presented with the accounts on that date, the value thereof had been stated as Rs.1,449,221. As such, a difference totalling Rs.176,740 could be observed.

differences in the relevant balances.

the account by including the correct balances.

(c) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(i) The amount that remained receivable over 02 years relating to 13 projects amounted to Rs. 1,701,406.</p>	<p>Action should be taken to recover the balance due.</p>	<p>Of 13 projects stated herein, sum of Rs. 297,585 relating to 02 projects has been received in the year 2019 and the relevant payments have been made. Information on other projects will be reviewed and steps will be taken to make adjustments in the ensuing year.</p>
<p>(ii) The payable industrial debtors balance that remained over 02 years amounted to Rs. 2,493,331.</p>	<p>Action should be taken to settle the payable balances.</p>	<p>A sum of Rs. 393,316 has been settled in the year 2019. Projects have been carried out in the year 2014 and the amount of money stated as payables is the cash in hand of the projects. Due to the shortcomings of the projects, payments of cash in hand have not been recommended and the rest of the projects are relevant to 2017 and these values have been recorded in the deposit ledger.</p>

## (d). Lack of necessary written evidence for audit

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Audit Observation-----  
Recommendation-----  
Comments of the  
Accounting Officer-----  
As title confirmation documents, asset registers, age analysis, balance confirmation letters and detailed schedules were not submitted relating to 04 items of accounts worth Rs. 147,113,677, they could not be satisfactorily vouched / verified in the audit.-----  
Written evidence should be furnished to substantiate the values included in the financial statements.-----  
These shortcomings will be corrected in the ensuing years.

## 1.4 Non-compliance

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

Reference to laws, rules, regulations and management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 571	No action had been taken as per the financial regulations regarding deposits of Rs.63,500 that remained for more than a period of two years.	Action should be taken in accordance with the Financial Regulations.	Lapsed deposits will be credited to the Revenue in consultation with the payee.
(b) Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel combustion test had not been carried out for 12 vehicles owned by the Sabha .	Action should be taken in accordance with the circular.	Steps will be taken to carry out the fuel combustion test in the next month.
(c) Treasury Circular No. IAI / 2002/02 dated 28 November 2002	No separate document about computer software had been maintained.	Action should be taken in accordance with the circular..	Action will be taken to prepare a document about computer software.

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 7,269,619 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 10,790,265 for the preceding year.

## 2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017			
	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	1,550,000	1,985,775	1,985,775	-	1,500,000	2,254,540	2,254,540	-
Rents	426,700	387,000	316,315	70,685	387,000	387,000	305,315	81,685
Licence Fees	100,000	296,236	296,236	-	175,000	314,936	314,936	-
Other Income (Keerikkulama Stall rent)	3,600,000	3,600,000	3,000,000	600,000	3,600,000	3,600,000	3,300,000	300,000
Rates	5,676,700	6,269,011	5,598,326	670,685	5,662,000	6,556,476	6,174,791	381,685

### 2.2.2 Rates and Taxes

#### Audit Observation

In terms of section 134 of the pradeshiya sabha act, no tax had been imposed and levied on the annual value of any immovable or immovable property situated in developed areas of the Pradeshiya Sabha.

#### Recommendation

Action should be taken to gazette the developed areas and collect the assessments.

#### Comments of the Accounting Officer

Preliminary arrangements have been made for the imposition of Assessments for 6 Grama Niladhari Divisions in the area. Accordingly, the proposal to declare the developed areas has been approved by the Sabha and the area to be assessed accordingly has been mapped out.

### 2.2.3 Court Fines and Stamp Duty

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#### Audit Observation

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The court fines receivable by 31 December 2018, amounted to Rs. 6,410,316 and the stamp duty was Rs.38,823,037.

#### Recommendation

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The relevant confirmation reports should be obtained immediately and action should be taken to recover the arrears.

#### Comments of the Accounting Officer

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Action is being taken to recover outstanding court fines and stamp fees.

### 03. Operating Review

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#### 3.1 Performance

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Matters revealed in 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 to be performed by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

#### (a). Solid waste management

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#### Audit Observation

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The garbage generated in the Sabha area was dumped at the Keerikkulama garbage recycling center. Due to the protests staged by the residents of the area against this garbage disposal site, it has not been possible to dispose of the garbage to this site. It was revealed that the Pradeshiya Sabha is currently disposing of garbage generated in the area to a private land.

#### Recommendation

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Steps should be taken to set up garbage disposal and solid waste management centers according to the rules.

#### Comments of the Accounting Officer

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Garbage is being disposed of to a private land at present and the Department of Forest Conservation has been requested to provide land for the disposal of garbage.

## (b) Sustainable Development Goals

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Audit Observation

## Recommendation

Comments of the Accounting Officer  
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The Sabha was unaware of the 2030 Agenda on the United Nations Sustainable Development Goals

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The Sustainable Development Agenda should be made aware of and action should be taken to initiate future activities on the objectives and targets.

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Action will be taken to submit in the future.

## 3.2 Management Inefficiencies

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Audit Observation

## Recommendation

Comments of the Accounting Officer  
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(a) The general deposit register maintained by the council has not been updated.

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General deposit register should be maintained in an updated manner.

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Action will be taken to investigate the balances in deposits for leased outlets in the past year and credit them for revenue.

(b) Since the stamp duty collected by the Sabha had not been remitted to the Department of Inland Revenue in time, the stamp duty payable at the end of the year under review had increased up to Rs. 1,723,331.

Action should be taken to remit the relevant stamp duty to the Inland Revenue Department immediately.

It is informed that steps have already been taken to remit the stamp duty to the Inland Revenue Department from the year 2018 and the stamp duty relating to the preceding years will be released in the future.

## 3.3 Human Resource Management

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Audit Observation

## Recommendation

Comments of the Accounting Officer  
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(a) The council had 46 approved staff as at 31December 2018 and there were 30 permanent staff and 16 casual staff deployed in the service

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Steps should be taken to fill the staff vacancies and improve the operational efficiency of the Sabha.

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The Provincial Public Service Commission has been informed to recruit employees for the vacant posts. It is informed that casual staff has been recruited only for the junior staff until the vacancy is completed.

(b) There were 17 vacancies for 8 posts in the Sabha.	Action should be taken to fill the staff vacancies.	The Provincial Public Service Commission has been informed to recruit employees to fill the vacancy.
(d) A sum of Rs. 88,605 remained unrecovered for a long time from 17 employees of the Sabha who had vacated the service.	Action should be taken to recover the outstanding employee loans.	Action is being taken to recover the outstanding loan of Rs. 88,605 which has not been recovered for a long time.

### 3.4 Assets Management

#### 3.4.1 Assets that have not been transferred

##### Audit Observation

Even though 163 plots of lands the assessment value of which was Rs. 34,392,275 had been disclosed in the financial statements, the ownership of those lands had not been taken over by the Sabha.

##### Recommendation

Action should be taken to transfer the ownership of the land.

##### Comments of the Accounting Officer

The relevant Divisional Secretaries have been requested to transfer the ownership of the lands and the land has not been transferred up to date.

#### 3.4.2 Idle/Underutilized Assets

##### Audit Observation

The Mahendra Diesel Cab worth Rs.1,319,050 and rice flour bakery kits worth Rs 541,000 of the Sabha remained idle.

##### Recommendation

Necessary arrangements shall be made for the use or disposal of the relevant equipment.

##### Comments of the Accounting Officer

Approval has been sought to take out of the driveway this Cab and action will be taken to dispose of the rice flour bakery.

## 04. Accountability and Good Governance

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Implementation of Audit and Management Committees  
-----Audit Observation  
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Audit and Management Committee meetings had not been held for the year under review in terms of the Finance Management and Audit Circular No. DMA / 2009 (1) (I) dated 28 January 2016

Recommendation  
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Action should be taken to establish Audit and Management Committees

Comments of the Accounting Officer  
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It was noted to take steps in the future.