

Nawagattegama Pradeshiya Sabha

Puttalam District

1. Financial Statements

1.1 Presenting financial statements

The financial statements for the year 2019 were submitted for audit on 27 February 2020 and the Auditor General's summary report on those financial statements was sent to the Chairman on 30 June 2020 and the detailed management report on 24 July 2020.

1.2 Qualified opinion

Except for the implications of the facts described in the Foundation section for the qualitative opinion of this report I am of the view that the financial statements, as well as the financial position of the Nawagattegama Pradeshiya Sabha as at 31 December 2019 and It is my opinion that its financial performance reflects a true and fair position in accordance with generally accepted accounting principles.

1.3 The basis for the qualified opinion

(A) Accounting deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The amount of Rs.102,490 incurred for allocating the partition, children's section of the Nawagattegama Public Library during the year under review had not been capitalized.	Should be done accounting accurately.	I kindly inform you that it has been corrected by journal entries.
(ii) The cost incurred for 03 newly prepared tables and 04 shelves using materials removed from the water treatment plant had not been capitalized.	Values need to be assessed and capitalized.	A committee will be appointed to assess the value and act to account for those values on the recommendations of that committee.

(B) Accounts receivable and payable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(i) The total of 21 account balances due as at 31st December 2019 was Rs.10,316,629 out of which the balance due over 05 years was Rs.95, 058.	Action should be taken to recover the account balances due expeditiously.	I kindly inform you that written requests have been made to recover the remaining Rs.95,058 in respect of 8 industries implemented under the Dorin Dorata Gamin Gamata 2014 project. Out of the other receivables, Rs. 1,676,943 that there is yet to be received.
(ii) The total of 08 account balances payable as at 31st December 2019 was Rs.7, 645,702 out of which the value due over 05 years was Rs.95, 082.	Action should be taken to settle the account balances payable.	I kindly inform you that the Rs.95,082 due for the door-to-door project implemented in the year 2014 for the industries under the project could not be paid due to lack of funds. I would like to inform you that the other outstanding loans remain at Rs.1,127,348.

(C) Lack of required-written evidence for audit

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Due to non-submission of required information, 02 account subjects amounting to Rs.76,436,378. Could not be satisfactorily inspected during the audit.	The fixed asset register should be maintained up to date.	Furniture and fixtures list has been prepared and we will act to rectify the deficiencies in it. I would like to inform you that the Land and Building Register has been prepared in accordance with the PS46 format.

1.4 Non-compliance

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

<u>Reference to rules, regulations, regulations and management decisions</u>	<u>Non-compliance</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
<u>(A) Pradeshiya Sabha Act No. 15 of 1987</u>			
Section 127	Although each Pradeshiya Sabha was the competent authority within its boundaries for Section 03 of the Cemeteries and Cemeteries Ordinance, 23 cemeteries in the area had not been taken over by the Sabha	Action should to be taken to acquire the cemeteries belonging to the Sabha,	I kindly inform you that necessary arrangements are being made to take over 23 cemeteries belonging to the Sabha.
<u>(B) Rules, 1988 Pradeshiya Sabha (Finance and Administration)</u>			
(i) Rule No. 5 (3)	There was no internal inspection of revenue collection.	An internal inspection should be performed.	I kindly inform you that an internal inspection is being carried out regarding revenue collection.
(ii) Rule No. 5 (7)	An internal audit had not been conducted covering the entire period in respect of finance and stores.	Internal audit should be done and audit reports should be sent to the Auditor General.	I acknowledge that an internal audit could not be conducted to cover the entire period in respect of finance and warehousing and I kindly inform you that it

will be done correctly in the year 2020.

2. Financial Review

2.1. Financial Results

According to the Financial Statements submitted, the revenue exceeding the recurrent expenditure of the Pradeshiya Sabha for the year ended 31 December 2019 was Rs.1,759,111 and correspondingly, the revenue over the recurrent expenditure last year was Rs.1,753,151.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Accumulated Revenue and Deficit Revenue

Following is the information on the estimated revenue, billing income, collected revenue and arrears revenue submitted by the Pradeshiya Sabha for the year under review and for the previous year.

Source of income	year 2019				year 2018			
	Estimated income	Billed income	Revenue collected	Total deficit as at 31 December	Estimate d income	Billed income	Revenue collected	Total deficit as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Rates and taxes	554	685	696	10	386	488	467	21
Rent	5,440	4,738	4,750	10	1,699	4,052	4,031	22
License fees	187	180	180	-	149	208	208	-
Other income	<u>6,506</u>	<u>4,282</u>	<u>5,145</u>	<u>390</u>	<u>3,188</u>	<u>2,312</u>	<u>1,059</u>	<u>1,253</u>
	<u>12,687</u>	<u>9,885</u>	<u>10,771</u>	<u>410</u>	<u>5,422</u>	<u>7,060</u>	<u>5,765</u>	<u>1,296</u>

- Collected income includes income collected from billed income for the year and income collected from arrears.

2.2.2 Other Income

Audit Observation

Recommendation

Comments of the Accounting Officer

The amount of Action should be taken to I would like to inform you that Rs.389,912 had not been recover the arrears. Rs. 389,912 due from the

collected from the interlock project for the year under review.

interlock project has been recovered through cross notes.

3. Operational review

3.1 Performance

The following are the observations performed duties under Section 3 of the Pradeshiya Sabha Act regarding the regulation and control of matters relating to public health, public utility services and public roads wellbeing and welfare of the people.

(A) By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Under Section 126 of the Pradeshiya Sabha Act, by-laws had to be enacted to fulfill 30 main points, but by 31 December 2019, by-laws had been enacted for only 15 points.

Action should be taken to impose by-laws.

The Nawagattegama Pradeshiya Sabha implements standard by-laws. Although the Pradeshiya Sabha should enact by-laws for other areas, I kindly inform you that there are no by-laws prepared and passed by the Pradeshiya Sabha itself as there are problems in obtaining the approval of the Minister in charge of the subject due to legal weaknesses in the preparation of by-laws by the Pradeshiya Sabha

(B) Solid Waste Management

Audit Observation

Recommendation

Comments of the Accounting Officer

The city's garbage was collected and disposed of on a land acquired by the Sabha in 2019.

Garbage disposal should be done in a proper manner.

The land at Sandanankulam has been set aside for the construction of a solid waste disposal center and construction work is currently underway and

I kindly inform you that steps will be taken to dispose of garbage in a proper manner in the future.

(C) **Sustainable Development Goals**

Audit Observation

Recommendation

Comments of the Accounting Officer

The following points were made regarding the goals and objectives to be achieved in accordance with the United Nations "Sustainable Development Agenda 2030".

The Sabha had identified 23 targets for 06 Sustainable Development Goals and had planned to implement several activities to achieve those objectives and targets but progress was at a low level at the end of the year under review.

Action should be taken to achieve the planned goals and objectives'

I would like to inform you that steps have been taken to implement the plans formulated to achieve the Sustainable Development Goals and Objectives.

Although it is planned to implement the project of extending the permanent drainage system of the city up to 02 km, providing internet facilities for public library and constructing 02 libraries in the area under the Sustainable Development Goals, due to the non-approval of the 2019 provisions, the relevant projects during the year Projects had not begun.

Action goals and objectives.

The Sustainable Development Goals and Targets are set to be achieved in the period 2020-2030 and I kindly inform you that the stated goals will be achieved in stages over the next 10 years.

3.2 Management inefficiencies

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Due to the improvement of facilities to the level of rates revenue within the Nawagattegama town limits, the relevant areas were identified and mapped and the relevant areas were inspected and rental properties were identified but no action was taken to assess the property and charge assessment fees.	Action should be taken to recover by imposing rate fee.	The relevant area has been gazette with respect to the rates fee and the property valuation has been completed with the assistance of the Valuation Department. Accordingly, I would like to inform you that after receiving the annual value of the property, action will be taken to impose rate fees from the year 2021.
(b) The Sabha had not paid attention implement any revenue promotion programs during the year or focused on new revenue generation	Should be paid attention on new revenue generation records.	I would like to inform you that the imposition of rate fees in 2019 and the inter-lock production activities were carried out as special revenue generating programs.
(c) No action had been taken to acquire the lands to the Sabha pertaining to 05 buildings constructed by the Sabha.	Action should be taken to acquire the lands on which the buildings have been constructed.	I would like to inform you that the Sabha is taking necessary steps to acquire the lands on which the buildings have been constructed.
(d) Although action had been taken on three occasions to award tenders for the upper floor of the bus stand, the Sabha could not obtain economic benefits due to the absence of any bidders.	Arrangements should be made to lease the buildings.	On three occasions bids were made for the upstairs lease of the bus stand, and on one occasion an open bid was made. But no bidder came forward. Accordingly, I would like to inform you that a request has been made to the Valuation Department to revise the annual value of Rs. 20,000.

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| (e) | Electricity had not been obtained by 20 May 2020 for two shops on the upper floor of the public shopping complex which was completed in the year 2017. | Action should be taken to obtain electricity immediately and lease out the relevant stalls. | I kindly inform you that the necessary arrangements will be made to obtain electricity for the two shops on the upper floor of the public shopping complex by the year 2020. |
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3.3 Human Resource Management

Audit observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to fill the vacant post of Secretary and 04 posts belonging to Secondary Grade and 02 posts belonging to Primary Grade remained vacant.

Action should be taken to fill the vacancies.

Secretary Post I would like to inform you that the recruitment for the posts belonging to the secondary grade should be done by the Public Service Commission. Also, vacancies remained vacant due to non-availability of qualified candidates even though applications were published in the Gazette and applications were called.

3.4 Non-performing and underutilized assets

Audit observation

Recommendation

Comments of the Accounting Officer

Two assets value of Rs.325,000 had been idled for many years.

Necessary action should be taken on idling assets after obtaining formal certification.

I kindly inform you that further action will be taken after obtaining the copies of the registration certificate of the missing motorcycle No. 159-0891 and after receiving the assessment of the water bowser No. RW - 0695.

3.5 Contract Administration

----- Audit observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>It was agreed that the renovation of the shopping complex at the Nawagattegama bus stand was to be completed between 13 October 2017 and 28 December 2017 on the provisions of 2017, but the work was not completed as per the agreement and only Rs. 1,925,281 was paid. The completed parts were not in economic condition and the building had not been completed by May 20, 2020 as no provisions had been received for the completion of the remaining work on the project in 2018 and 2019.</p>	<p>Action should be taken to complete the work as per the agreement.</p>	<p>A proposal has been submitted by the Line Ministry to provide funds for the completion of the remaining work at the Nawagattegama Bus Stand. As there were no provisions for this in the year 2018, I would like to inform you that the provisions for the year 2019 have been requested again.</p>

4. Accountability and Good Governance

4.1 Internal Audit

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
<p>The Pradeshiya Sabha had prepared an internal audit plan and by 2019 no internal audit had been conducted to fully cover all aspects of the Sabha.</p>	<p>An internal audit should be planned and conducted to cover all sections of the Sabha.</p>	<p>I acknowledge that the Internal Audit Officer was unable to conduct a full-fledged internal audit in 2019 covering all aspects due to other duties. Therefore, I would like to inform you that another officer has been appointed for internal audit in the year 2020 to rectify this.</p>