

Namaloya Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 24 March 2017 and the financial statements for the preceding year had been presented on 28 March 2016. The Report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 07 September 2017.

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 Namaloya Pradeshiya Sabha as at 31 December 2016 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 are observed.

- (a) The fees for revenue licences paid by the Sabha amounting to Rs.49,800 in respect of the preceding years for 04 motor vehicles had been shown as the expenditure for the year under review.
- (b) The sum of Rs.2,901,810 payable to the contractor for the project of concreting Kotavehera Old Road had not been shown under creditors.

1.3.2 Lack of Evidence for Audit

The Register of Licence Fees were not made available for audit to check arrears of licence fees amounting to Rs.19,900.

1.3.3 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances with laws, rules, regulations and management decisions were observed.

Reference to Laws, Rules and Regulations

Non-compliance

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| (a) Pradeshiya Sabha Rules 180 | The officers who performed duties in respect of cash, stores and collection of revenue of the Sabha had not furnished security. |
| (b) Public Administration Circulars 30/2016 (03, 01) | Fuel consumption test had not been carried out in respect of 20 vehicles belonging to the Sabha. |
| (c) Financial Regulations of Democratic Socialist Republic of Sri Lanka. Financial Regulation 571 (3) | Action had not been taken on deposits amounting to Rs.38,292 remained for over a period of 02 years. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the operations of the Pradeshiya Sabha for the year ended 31 December 2016 had resulted in an excess of revenue over recurrent expenditure amounted to Rs.1,207,167 as against the excess of recurrent expenditure over revenue for the preceding year amounting to Rs.2,209,706. Accordingly, an improvement of Rs.3,416,873 was shown in the financial results.

2.2 Analytical Financial Review

- (a) In analysing recurrent revenue for the year under review as compared with that for the preceding year an increase in a range from 25 per cent to 540 per cent was shown with regard to the revenue sources such as rates and taxes, lease rent, service charges, other revenue and other grants and a decrease in a range from 01 per cent to 30 per cent was shown with regard to the revenue sources such as licence fees, fines and warrant charges.

- (b) In analyzing the recurrent expenditure for the year under review as compared with that for the preceding year an increase in a range from 01 percent to 82 per cent was shown with regard to expenditure items such as salaries and allowances, repairs to capital assets, transport, grants and pensions and a decrease in a range from 02 per cent to 30 per cent was shown with regard to the expenditure items such as travelling and supplies and equipment.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

According to the information furnished by the Sabha, the particulars with regard to Estimated Revenue, Actual Revenue and Arrears of Revenue for the year under review are as follows.

Item of Revenue	Estimated Revenue for the year 2016	Actual Revenue for the year 2016	Accumulated arrears as at 31 December 2016
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	Rs.	Rs.	Rs.
Rent	1,979,920	1,657,802	36,548
Licence Fees	453,000	346,440	28,305
Warrant Charges and Fines	1,107,000	932,014	269,708
Other Revenue	339,000	530,393	288,144

2.3.2 Licence Fees

As per the Ledger, the arrears of licence fees as at 31 December 2016 amounted to Rs.28,305 and action had not been taken by the Sabha to recover those money.

2.3.3 Other Revenue

The following matters were observed.

- (a) Five telecommunication transmission towers had been installed in the authoritative area of the Sabha. In terms of Gazette Notification of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009 an initial fee of Rs.100,000 at the rate of Rs.20,000 per tower at least had not been recovered.
- (b) Arrears of charges for Fair receivable from the year 2010 amounting to Rs.15,008 had not been recovered.

2.3.4 Stamp Fees

A sum of Rs.235,144 had to be receivable from the Registrar General as stamp fees as at 01 January 2016.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) A balance of Rs.5,336 remained in the accounts after recovery of the money recoverable from an officer who employed in the Sabha had not been eliminated from the accounts.
- (b) Action had not been taken by the Sabha to recover a sum of Rs.39,388 as staff loans remained recoverable prior to the year 2013.
- (c) A fine of Rs.22,755 had to be paid due to action had not been taken to obtain revenue licences on due dates in respect of 09 motor vehicles belonging to the Sabha.
- (d) The revenue licences for 03 motor vehicles remained in running condition belonging to the Sabha had not been obtained and the insurance certificate for 01 motor vehicle also had not been obtained.
- (e) Even though, the Paragahakele Community Hall had been repaired by the Sabha incurring Rs.1,743,377 by 27 October 2016, it was not given for utilization of public even up to now.
- (f) The ownership of 52 land portions which were utilizing by the Sabha had not been vested with the name of the Sabha.

3.2 Idle and Underutilized Assets

The following matters were observed.

- (a) Even though, the tipper valued at Rs.6,009,602 provided by the Ministry of Local Government and Provincial Councils to the Sabha on 27 April 2015 had remained in running condition, it was parked in the Sabha premises without being utilized.
- (b) The water filter valued at Rs.60,000 received from the Eastern Provincial Department of Local Government on 12 January 2016 had been kept in the Sabha premises without being utilized.

3.3 Contract Administration

In awarding contracts to the Community Based Organizations under the direct method of contracts it was stated in terms of the Guideline 3.9.1 of the Government Procurement Guidelines that the value of the total contracts carried out by those organizations should not be exceeded Rs.02 million. Nevertheless, the Wavinna Trade Complex valued at Rs.1,928,393 has been

constructed by Deepthi Praja Mandalaya and in the meantime another 02 projects valued at Rs.1,861,530 under PSDG project had been given to the same Community Based Organization.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 13 per cent to 404 per cent were observed between the budgeted expenditure and the actual expenditure in the year under review, thus indicating that the budget had not been made use of as an effective instrument of management control.

4.2 Annual Procurement Plan

An Annual Procurement Plan for the year 2016 had not been prepared by the Sabha in terms of the National Budget Circular No.128 issued on 24 March 2006.

5. Systems and Controls

Special attention of the Council is needed in respect of the following areas of systems and controls.

System	Area needed Attention
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(a) Revenue Administration	i Recovery of arrears of revenue. ii Imposing of by-laws. iii Identification of revenue sources.
(b) Contract Administration	Execution of activities as per circulars.
(c) Stores Administration	Storing of goods in a manner to check accuracy quickly.
(d) Assets Control	Vesting of ownership of fixed assets.

