

**Neluwa Pradeshiya Sabha
Galle District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 11 April 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 14 November 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Neluwa Pradeshiya Sabha give a true and fair view of the financial position of the 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 expenditure on supplies and equipment had been overstated by Rs.38,182.

1.3.2 Unreconciled Control Accounts

A difference of Rs.7,939,238 was observed between the balances of total of 05 items of accounts amounting to Rs.63,149,997 as per financial statements and their balances as appearing in the subsidiary registers/schedules.

1.3.3 Suspense Account

Action had not been taken even by end of the year under review to identify the credit balance of Rs.72,839 which continued to be brought forward for many years and to settle it by making necessary adjustments.

1.3.4 Accounts Receivable and Payable

The following matters were observed.

- (a) (i) Action had not been taken to recover the government aid totalling Rs.3,687,277 receivable on behalf of 09 jobs as at end of the year under review.

- (ii) Action had not been taken to recover the licence fees of Rs.44,300 and the rent of Rs.241,085 due as at end of the year under review.
 - (iii) Action had not been taken even during the year under review to recover the key money of week end fair amounting to Rs.549,800 which continued to be brought forward from 2008.
- (b) Action had not been taken to settle the total sum of Rs.11,092,329 relating to 29 jobs payable as at end of the year under review.

1.3.5 Lack of Evidence for Audit

Title deeds of land and buildings amounting to Rs.41,124,248 as appearing in the financial statements, an updated register of revenue with regard to arrears of revenue aggregating Rs.364,155, a register of creditors relating to creditors aggregating Rs.11,352,551, receipts and schedules for the unidentified revenue of Rs.104,337, confirmation of balances for the bank balance aggregating Rs.2,684,282 and the dates of issue of cheques issued amounting to Rs.116,497 which had not been presented for payments had not been furnished and as such these could not be satisfactorily examined in audit.

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

The daily running charts and monthly performance summaries of 11 vehicles of the Sabha had not been furnished for audit in terms of Financial Regulations 1645 and 1646 of the Republic of Sri Lanka.

2. Financial Review

2.1 Financial Results

According to the financial statements presented for audit, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.1,620,948 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.226,718. An improvement in financial results amounting to Rs.1,394,230 is shown during the year under review as compared with the preceding year.

2.2 Revenue Administration

2.2.1 Acreage Tax

The balance of acreage tax observed as at end of the year under review amounted to Rs.29,460. Action had not been taken to recover the arrears of acreage tax in terms of Section 159(1) (a) of the Pradeshiya Sabha Act No.15 of 1987.

2.2.2 Revenue from Lease Rent

The arrears of lease rent observed as at end of the year under review amounted to Rs.241,085. Balances of over Rs.10,000 continued to be in arrears from 10 lessees. Adequate attempts had not been made to recover it.

2.2.3 Court Fines and Stamp Fees

Stamp fees of Rs.5,000,000 and court fines of Rs.243,792 were due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2016.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) A hand tractor bearing No. WPSE 2811 and a motor bicycle bearing No. SPVG 2330 which could be used, if repaired, remained unused since 2012 and 2015 respectively.
- (b) The tractor bearing No. JA 2763 and the trailer bearing No. JB 2677 had been idling as those had not been repaired.
- (c) The arrears of revenue due from the Becko Loader No. ZA 4987 amounted to Rs.229,759.

4. Good Governance and Accountability

4.1 Budgetary Control

It was observed that the budget had not been used as an efficient instrument of management control as there were savings aggregating Rs.12,366,035 in 05 items of expenditure, an adverse variance of Rs.89,632 in 02 other items and unachieved revenue aggregating Rs.10,118,934 in 07 items of revenue all of which had been included in the budget of the year under review.

4.2 Internal Audit

An Internal Audit Officer had been appointed in terms of Financial Regulations 133 and 134 of the Republic of Sri Lanka and the Circular No.දපපා/යන/01/න.ව.ලේ. dated 24 February 2014 of the Commissioner of Local Government (Southern Province). However, adequate internal audit had not been carried out.

4.3 Implementation of Audit and Management Committees

Action had not been taken even by end of the year under review to establish Audit and Management Committees in terms of provisions in the Management Audit Circular No. DMA/2009(i) of 09 June 2009.

5. Systems and Controls

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

System	Main deficiency in the System
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(a) Fixed Assets	(i) Absence of title deeds of land (ii) The land and buildings of the Sabha had not been surveyed, their values assessed and brought to account. (iii) A register containing the information of community centres, crematoriums and public places had not been maintained. (iv) The Sabha had not maintained a register of losses and damages.
(b) Collection of Revenue	Proper procedures had not been prepared and implemented to recover arrears of revenue.
(c) Accounting and Maintenance of Registers	(i) Action had not been taken to inquire into balances which continued to be brought forward from previous years and to settle the accounts. (ii) The differences between the balances appearing in the financial statements and the related schedules had not been identified and necessary adjustment made to rectify the accounts.

- (d) Management Inefficiencies
 - (i) Proper procedures had not been adopted with regard to garbage management.
 - (ii) Minor repairs to vehicles had not been attended to so as to make use of them.
 - (iii) Action had not been taken to acquire ownership of vehicles.

- (e) Budgetary Control
 - (i) The entire provision of 02 items of expenditure and significant provision of 05 other items of expenditure made in the annual budget had been saved.
 - (ii) Expenditure in 02 items of expenditure had exceeded the approved limits.
 - (iii) The target of revenue of 07 items of revenue as appearing in the budget had not been achieved.
 - (iv) Action had not been taken to revise the budget by taking follow up action regarding expenditure and revenue.