

Nawagattegama Pradeshiya Sabha
Puttalam District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 29 March 2017 and the financial statements for the preceding year had been presented on 28 April 2016. The report of the Auditor General for the year 2016 was issued to the Secretary of the Sabha on 31 August 2017.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Nawagattegama 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 equipment received to the Sabha under the Puraneguma Programme in the years 2014 and 2016 had been recorded in the Register of Fixed Assets without mentioning values.

1.3.2 Accounts Receivable and Payable

(a) While the value of Accounts Receivable as at the end of the year under review was Rs.23,442,517 , out of that , balances amounting Rs.2,277,893 between 01 year to 03 years and Rs.2,004,768 had been remained outstanding for more than 02 years.

(b) **Accounts Payable**

Action had not been taken to pay the remaining liabilities except a withholding fees on a special reason , from the accounts payable amounted to Rs.17,563,719 at the end of the year under review.

1.3.3 Lack of Evidence for Audit

According to the accounts at the end of the year under review, the Register of Assets relating to furniture and fixing totaled Rs.1,485,231 was not furnished to audit.

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

The following non-compliances were observed.

Reference to Laws, Rules , Regulations and Management Decisions	Non-compliances
(a) Pradeshiya Sabha Regulation(Financial and Administrative) of 1988	
(i) Regulation 5(7)	An internal audit had not been carried out as to cover the entire period in respect of finance and stores activities.
(ii) Regulation 217	Descriptions on all lands and buildings belonging to the Sabha had not been maintained in a register in terms of the form No.PS.46.
(b) Establishments Code of the Democratic Socialist Republic of Sri Lanka	
Sub-section 10 of Chapter VIII of the Establishments Code	The Secretary of the Sabha had been employed in the service at holidays without getting prior approval from the Head of the Department.

2. **Financial Review**

2.1 **Financial Result**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.23,751,497 as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,393,978 for the preceding year.

2.2 **Analytical Financial Review**

Increase in the generated and other income totalling Rs.18,884,689 had mainly attributed to the increase of Rs.20,357,519 in the financial result.

2.3 **Working Capital Management**

The ratio between the current assets and the current liabilities in the year 2015 was 1.43:1 and it was 1.52:1 in the year under review.

2.4 **Revenue Administration**

2.4.1 **Performance for Collecting Revenue**

Eighty five per cent of the estimated outstanding revenue for the year under review had been collected and the value estimated as other revenue for the year 2015 had been decreased by 76 per cent in the year under review.

2.4.2 **Court Fines and Stamp Duty**

Court fines amounted to Rs.2,166,747 should have been charged at the end of the year under review from the Chief Secretary of the North Western Province and an estimated money amounted to Rs.400,000 as the stamp duty receivable from June 2013 up to 31 December in the year under review had been accounted due to non- preparation of the schedules for stamp duty.

3. **Operating Review**

3.1 **Management Inefficiencies**

Implementation of an adequate revenue promotion programme or focusing a new income generation paths had not been done during the year.

3.2 **Transactions of Contentious Nature**

Even though the Sabha had spent a sum of Rs.300,204 for the renovation of the Theatre Building of Nawagattegama with a view to taking over the building to the Sabha , the taking over activities had not been completed by the Divisional Secretary.

3.3 **Solid Waste Management**

- (a) As the garbage collected daily in the Area of Authority in the Sabha is disposed to an open land , a condition of damage caused to the environment had been arisen.
- (b) As failure in acquiring a land for the Solid Waste Management Project ,provisions amounted to Rs.1,776,351 provided could have been returned.

3.4 **Human Resources Management**

The posts of the Secretary, Librarian, Overseer , Tube well technician and the Electrical Technician in the Sabha had been vacant continuously from several years.

3.5 **Idle Assets**

Mini Kubota Tractor with a trailer , a motor cycle and a water bowser valued totaling 575,000 were remained idle from several years.

4. **Good Governance and Accountability**

4.1 **Annual Procurement Plan**

An Annual Procurement Plan had not been prepared.

4.2 **Implementation of Audit and Management Committees**

The Sabha had conducted only one Audit and Management Committee for the year 2016.

5. **Systems and Controls**

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

System -----	Observation -----
(a) Accounting	<ul style="list-style-type: none">i Certain information in the subsidiary registers had not been brought to the financial statements.ii. The Registers such as Register of Fixed Assets and Vote Ledger had not been maintained in an updated manner.
(b) Revenue Administration	<ul style="list-style-type: none">i The Pradishiya Sabha had not paid the attention on the generation of new source of income.ii Delays in collecting revenue such as stamp duty and court charges had been existed.
(c) Stores	An adequate internal audit had not been carried out in respect of stores activities.
(d) Waste Management	Action had not been taken to dispose the garbage collected daily in the area of authority of the Pradeshiya Sabha in an environmental friendly manner.