

Niyagama Pradewshiya Sabha
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 29 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 29 September 2018.

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 Niyagama Pradeshiya Sabha. as at 31 December 2017 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 Decreasing of the value of Net Assets

Debit balance of Cumulated Fund Account amounting to Rs.2,295,837 remained at the beginning of the year had been increased upto Rs.10,485,708 at the end of the year. Due to deterioration of working capital of Rs.2,272,955 remained during the last year by Rs. 8,816,389 upto a negative balance of Rs.6,543,434 during the year under review, it was observed that working capital difficulties might be experienced.

1.3.2 Accounting Deficiencies

The following deficiencies were observed.

- (a) Electric appliances of Rs.343,372 purchased during the year under review had not been brought to account.
- (b) Court fine opening balance of Rs.2,121,464 receivable had been avoided from accounts.
- (c) Capital outlay of the year under review had been overstated in accounts by Rs.2,870,734.

1.3.3 Accounts receivable and Payable

(a) Accounts Receivable

The following observations were made.

- (i) No action had been taken during the year under review to settle Rs.9,830,779 receivable for development projects implemented within the area of authority..
- (ii) A sum of Rs.42,780 recoverable over a period of 02 years for hiring out of Backhoe Loader and stone roller owned by the Sabha.

(b) Accounts Payable

Action had not been taken even during the year under review to settle Industrial Creditors Balance of Rs.182,193 being brought forward over a number of years.

1.3.4 Lack of written evidence required for audit

Non-presentation of information for audit

It was not possible to verify satisfactorily 02 account captions totalling Rs.47,221,724 due to non presentation of information.

1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value	Non-Compliance
(a) Pradeshiya Sabha Rules (Financial & Administration)1988	Rs.	
(i) Rule 33	-	Lists on individuals evading the payment of rates and taxes or warrant lists for feiting their property had not been prepared.

(ii) Rule 180 - 184 - Security had not been obtained from 18 officers who are required to deposit security

(iii) 88 193 - Neither prepared nor submitted for audit a statement giving reasons for excesses and shortages having compared w of revenue and expenditure captions with the budget.

**(b) Financial Regulation of
the Democratic Socialist
Republic of Sri Lanka**

FR 571 93,000 Action had not been taken in respect of 27 deposits being brought forward over a period of 05 years.

2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.2,366,313 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to 2,861,355.

2.2 Revenue Administration

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

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows:

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Dece.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Dec.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates & Taxes	740,304	729,440	624,161	616,980	497,749	505,702	494,947	532,025
(ii) Rease Rent	5,844,840	4,606,152	4,312,721	796,308	4,051,040	3,718,428	2,475,940	542,387
(iii) Licence Fee	611,000	731,597	715,197	60,217	511,000	655,485	659,710	42,037
	7,196,144	6,067,189	5,652,079	1,473,505	5,059,789	4,879,615	3,630,597	1,116,449

2.2.2 Rates and Taxes

Of the rates and taxes of Rs.1,261,465 recoverable for the year under review and preceding years, Rs.624,161 equivalent to 49 percent had been recdovered. However no action had been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act to recover balance in arrears.

2.2.3 Lease Rent

Of the balance of lease rent in arrears of Rs.5,148,539 recoverable for the year under review, Rs.4,312,721 or 84 percent had been recovered during the year.

2.2.4 Licence Fees

Of the licence fee of Rs.773,634 recoverable for the year, 92 percent had been recovered.

2.2.5 Stamp fees

A sum of Rs.5,583,229 had been recoverable as stamp fees as at 31 December 2017 from the Chief Secretary and other authorities of the Provincial Council.

3. Operating Review

3.1 Performance

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and

public roads as well as satisfaction and welfare of the people under section 3 of the Pradelshiya Sabha Act are as follows:

(a) Action Plan

Annual action plan had not prepared in respect of activities to be performed by the Sabha in terms of by laws enacted..

(b) Delays in Performing Activities

Although a sum of Rs.4,470,731 for modernization of Pradeshiya Sabha Playground, Niyagama under Pradeshiya Sabha Augmentation National Programme and a total sum of Rs.450,000 for 04 projects under Provincial Council Members' Provisions had been approved for the year under review, the relevant project had not been undertaken even by 31 December 2017.

(c) Solid Waste Management

Compost project implemented by the Sabha had been stopped since 2015 and damages were caused to its machinery and equipment due to a thunder strike in 2016. The Sabha did not have long-term solutions for solid waste management in the area. The waste had been dumping on to a land owned by a private company at a cost of Rs.5000/- per month without obtaining a environmental licence.

(d) Sustainable Development Targets

Although a long-term plans had ben prepared and implemented by the Sabha to enhance living standard and health of the people in the area of authority through global indicators for sustainable development objectives and targets in the Agenda for Sustainable Development 2030, it had not adequately covered the relevant field.

3.2 Management Inefficiencies

The following inefficiencies were observed.

- (a) Although a rate could be charged on annual value of immovable property or any kind of immovable property located within areas which were declared by the Pradeshiya Sabha as developed areas with the approval of Local Government Commissioner in terms of Section 134(1) of the Pradeshiya Sabha Act No.15 of 1987. No action had been taken to identify and recover rates and taxes.

- (b) Although a sum of Rs.178,100 had been recoverable as at 31 December 2017 for leasing out of trade complex owned by the Sabha, action had not been taken to recover that sum in terms of Section 159(1) of the Pradeshiya Sabha Act.
- (क) Action had not been taken to pay and settle a sum of Rs.803,294 being institutional contribution to Employees Provident Fund (EPF) in respect of employees of the Sabha and a turn over tax balance of Rs.34,159 being brought forward since 1991 and they had been brought to revenue of the Sabha with the approval of the Secretary of the Sabha.

3.3 Human Resources Management

(a) Staff Vacancies and Excesses

The following observation were made.

- (i) Although 06 approved posts remained vacant in the approved cadre, action had not been taken to fill those vacancies.
- (ii) Action had not been taken even at the end of the year under review to recover excess payment of salaries to 05 employees amounting to Rs.108,500.

(b) Staff Loan

A loan balance of Rs..129,700 in respect of 08 ex employees of the Sabha was existed with no formal arrangement to recover.

3.4 Uneconomical Transactions

Although a sum of Rs141,200 had been spent on publishing press advertisements for registration of suppliers for the year under review, miscellaneous purchasing of Rs.2,780,602, from outside suppliers had been recorded during the year under review. Therefore the spending on registration of suppliers had been an uneconomical expense.

4. Accountability and Good Governance

4.1 Presentation of amended Financial Statements

Amended financial statements for the year under review had been presented for audit on 19 July 2018.

4.2 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling mechanism.

- (a) Savings of Rs..11,966,961 belonged to 07 expenditure captions were shown, value of which ranged between 19 percent to 66 percent
- (b) Approved limits of expenditure in respect of 03 expenditure captions had been exceeded by Rs.13,906,524, value of which ranged between 07 percent to 84 percent.
- (c) Total of unachievable targets in respect of 05 expenditure captions amounted to Rs..11,085,663, value of which ranged between 08 percent to 44 percent.

4.3 Internal Auditing

Although an Internal Auditor had been appointed, no internal auditing done.

4.4 Implementation of Audit and Management Committees

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009 (1) dated 09 June 2009.

5. Systems and Controls

Shortcomings observed at auditing were submitted through audit queries to the attention of the Sabha and special attention shall be paid to the below described fields of systems and controls.

System	Defect
-----	-----
(a) Accounting	(i) Revenue had not been brought to account correctly. (ii) Approval having not been obtained for journal entries.
(b) Revenue Collection	(i) Absence of a formal arrangement to recover revenue in arrears.

- (ii) Action had not been taken to increase revenue by identifying development areas.
- (c) Staff Management
 - (i) No action had been taken to fill vacancies.
 - (ii) Non recovery of staff loan balances in arrears.
- (d) Budgetary Control
 - Non revision of the budget to suit the practical situations.