

**Neluwa Pradeshiya 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 23 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 31 August 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 Neluwa Pradeshiya Sabha. as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following deficiencies were observed,.

- (a) Total value of assets being Rs.47,628,359 purchased and received as donations had not been capitalised.
- (b) Value of Rs.343,399 applicable to 04 industries paid during the preceding year had been shown under creditors while capital creditors' value applicable to 03 industries had been over-stated accounts by Rs.229,625 and various creditors under-stated by Rs.204,029.
- (c) The value of Rs.879,942 applicable to 02 industries which received funds during the year under review had continued to bring under capital debtors while the capital debtors' value applicable to 04 industries had been over stated in accounts by Rs.165,525.
- (d) The lump sum amount receivable at the end of the year under review had been under stated in accounts by Rs..341,100 while the lease rental income from weekly fair had been over stated by Rs.56,826.
- (e) A variance of Rs.517,000 was observed between Fixed Assetsw Account and the Account contributing from revenue to capital out lay.
- (f) Pension contributions of Rs..7,097,824 payable at the end of the year under review had not been brought to account.

1.3.2 Unreconciled Accounts

Variance totalling Rs. 2,892,979 was observed between balances applicable to 10 account captions amounting to Rs.63,171,769 shown in financial statements and balances shown in supportive documents/schedules.

1.3.3 Suspense Account

Credit balance of Suspense Account of Rs.72,839 being brought forward since a number of years had neither been identified nor settled.

1.3.4 Accounts Receivable and Payable

(a) Accounts Receivable

- (i) Action had not been taken to settle 07 balances, total of which amounting to Rs.3,572,193 being brought forward in a period of 03 years in a balance totalling Rs.8,202,379 receivable for industries at the end of the year under review.
- (ii) Action had not been taken to recover lump sum amount in arrears amounting to Rs.547,800 recoverable for temporary and permanent stalls being brought forward since 2008.

(b) Accounts payable

03 account balances totalling Rs.3,183,162 being brought forward over a period of 03 years within creditors' balance of Rs. 6,970,622 payable at the end of the year under review had not been settled.

1.3.5 Lack of Written Evidence for Audit

Due to non presentation of requisite information it was not possible to satisfactorily verify 09 account captions totalling Rs.1,600,707.

1.3.6 Non Conformity

1.3.6.1 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 Non-Compliance

& management decisions

- (a) Pradeshiya Sabha (Financial & Administration) Rule-1988
- (i) Rule145
- Neither prepared a detailed statement on repayable deposits nor adjusted the same with the Ledger balance..
- (ii) Rule 164
- Accounting documents of the Sabha had neither been examined daily by the secretary or an authorized officer nor entries thereof certified.
- (iii) Rule 217
- Lands and buildings owned by the Sabha had not been examined and reported once a year.
- (b) Financial Regulations of the Democratic Socialist of Sri Lanka
- (i) FR.103, 104
- Action had neither been taken on losses/damages nor reports thereof submitted for audit. Further a Register on losses not maintained..
- (ii) FR. 373
- Non settled advance balance of Rs.62,125 taken in 2004 had been existed.
- (c) Treasury Circular No.02/2015 dated 10 July 2015.
- No action had been taken on hand tractor and an Individual Lift Machine.
- (d) Public Administration Circular No. 30/ 2016 dated 29 December 2016
- Fuel burning test on 13 vehicle owned by the Sabha had not been carried out.

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.134,952 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.1,620,948.

2.2 Financial Administration

Unidentified variance of Rs.40,833 was shown between cash book balance of the Current Account and the Current Account balance.

2.3 Revenue Administration

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

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears 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 Decemb.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in Arrears as at 31 Decemb.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	430,000	288,080	324,845	42,005	430,000	429,840	415,442	78,770
Lease								
Rent	6,154,800	4,036,189	4,074,856	202,418	6,218,750	5,956,293	5,947,604	241,085
Licence Fee	125,000	189,444	193,449	40,295	145,000	76,457	74,007	44,300
	5,508,000	3,903,940	5,400,513	3,976,978	5,625,500	4,201,701	1,289,067	5,473,551
Total	12,217,800	8,417,653	9,993,663	4,261,696	12,419,250	10,664,291	7,726,120	5,837,706

2.3.2 Performance in Revenue Collection

The total estimated revenue of the year under review was Rs.12,217,800 while billed revenue amounted to Rs.8,417,653. Although the total sum recoverable with the opening balance in arrears of Rs.5,837,706 amounted to Rs.14,255,359 the total collected revenue during the year had been Rs.9,993,663 Accordingly the revenue in arrears at the end of the year was Rs.4,261,696.

2.3.3 Rates and Taxes

Acre Tax

Opening balance in arrears was Rs.21,370 and with the year's billed amount of Rs.5,130, the total recoverable revenue had been Rs.26,500. During the year under review the total recovery amounted to Rs.3,160. Accordingly the revenue in arrears at the end of the year had been Rs.23,340.

2.3.4 Stall Rent

The following observations were made.

- (a) Opening balance in arrears was Rs.241,085 and with the year's billed amount the total recoverable revenue had been Rs. 4,277,274. The total recovery of the year was Rs.4,074,856. Accordingly revenue in arrears at the end of the year had been Rs.202,418.
- (b) As stall rent had not been charged in keeping with new assessment which had been effective from 2017. Accordingly the loss of the year had been Rs.1,054,956.

2.3.5 Court fines and Stamp Fees

Rs.3,500,000 and Rs.304,231 had been recoverable as stamp fee and court fines respectively as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Council.

03. 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) Non Achieving of Anticipated Output

Although a sum of Rs.1,348,163 had been approved to establish 04 industries under Pradeshiya Sabha Augmentation Programme, only Rs.252,784 out of advance of 1,000,000 had been spent only to complete one industry.

(b) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the sabha through global indicators for sustainable development goals and targets in the Agenda 2030 for sustainable development.

3.2 Management Inefficiencies

Although the Sabha had to recover a lumpsum equivalent to 100 installments worth monthly rental for all stalls leased out in terms of Section 4 of the Circular No.දපපා/පපාකො/2010/1 dated 27 December 2010 of the Local Government Commissioner, Southern Province, only 03 month stall rent had been recovered.

3.3 Human Resources Management

Staff Vacancies and Excesses

According to approved Cadre Plan 11 vacancies and 04 excesses were available.

3.4 Asset Management

3.4.1 Idle/Under Utilized Assets

Usable tractor and 02 motor cycles remained idle for one year and 02 years respectively.

3.5 Contract Administration

Estimates prepared for construction of Endawala culvert, Dellala valued at Rs.1,234,654 under “Gamin Gamata – Dorin Dorata” Programme as per Paragraph 4 of the letter No. නිජරලේ/ඉංජේ/වක්රලේබ් dated 04 June 2009 of the Chief Secretary, Southern Province had been completed without approval of District Engineer (Local Government) Its completed work value amounted to Rs.1,160,577.

4. Accountability and Good Governance

4.1 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 in respect of 08 expenditure captions totalling Rs.8,101,781 are shown and its value ranged between 15 percent to 100 percent.
- (b) Total of non achieved targets in respect of 06 expenditure captions had been Rs.8,539,956 and its value ranged between 02 percent to 51 percent.

4.2 Implementation of Audit and Management Committees

Although Audit and Management committees had been established as per provisions of the Management Audit Circular No. DMA/2009 (i) dated 09 June 2009, meetings had not been held even by the end of the year under review.

4.3 Internal Auditing

Sufficient internal auditing had not been conducted as per FR 133, 134 of the Democratic Socialist Republic of Sri Lanka and no sufficient internal auditing carried out as per Circular No. දපභ/යභ/01/න.ව.ලේ dated 24 February 2014 of Local Government Commissioner, Southern Province.

5. System and Control

Shortcomings observed at auditing were brought to the notice of the Sabha from time to time and special attention shall be paid to the following fields of control.

System -----	Defect -----
(a) Fixed Assets -	<ul style="list-style-type: none"> (i) Neither conducted a survey on lands and buildings owned by the Sabha nor brought their assessed values into accounts. (ii) Not maintained a register containing information on community halls, cemeteries and public places. (iii) Not maintained a damage/loss register.
(b) Staff Management -	Action had not been taken on vacant positions and excess employees
(c) Collection of Revenue -	Formal arrangement had not been implemented to recover revenue in arrears.

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| (d) | Accounting and maintaining of documents - | <ul style="list-style-type: none"> (i) Action had not been taken to examine balance being brought forward from preceding years and to settle relevant accounts. (ii) Not taking action to settle Suspense Account balance of the year under review. |
| (e) | Management Inefficiencies - | <ul style="list-style-type: none"> (i) Non regularization of waste management (ii) Non taking action to transfer ownership of vehicles. |
| (f) | Budgetary Control | <ul style="list-style-type: none"> (i) Availability of savings in respect of all items of expenditure for which provisions had been allocated through annual budget. (ii) Non achievement of revenue targets in respect of 06 items of revenue as per budget. (iii) Action had neither been taken to follow up the budget nor to amend the same. |