

Central Nuwaragam Province Pradesiya Sabha
Anuradapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements of the year 2017 had been audited as at 29 March 2018 while the auditor's report had been sent to the chairman on 28 September 2018.

1.2 Qualified Opinion

In my opinion, except the effect 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 Central Nuwaragam Province Pradesiya Sabha as at 31 December 2017, its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Comments on Financial Statements

Accounting Deficiencies

The following observations were made.

- (a) The total amount of Rs.741,670 of 06 deposits that had not paid until 31 December 2017 but had deposited in the year 2015 had not been revealed in the Financial Statements.
- (b) Although the deposit balance amounted to Rs.3,117,123 as at 31 December 2017, it had been recorded in the Financial Statements as Rs.3,749,330 and the current liabilities were over stated to Rs.632,207.
- (c) According to the shop rental documents, the rent income arrears totalled Rs.359,490 as at 31 December 2017 but only Rs.376,060 had been recorded in the Financial Statements there by current assets were over stated in Rs.16,570.
- (d) According to the tender income register as at 31 December 2017, Although income arrears totalled Rs.849,932 it had been recorded in the Financial Statements as Rs.1,434,339, current assets were over stated in Rs.584,407.
- (e) Six balances existed as at 31 December 2016 showed a difference of Rs.20,902,073 when recording as opening balances for the year under review.
- (f) The two weekly stalls Mahavilachchiya and Elayalpattuwa owned by the council had an income totalled Rs.550,130 However the estimated income of Rs.903,700 was credited to the income account instead of the billed amount for the year and accounted Rs.391,095 as income arrears. Therefore the surplus and the current assets was over stated.
- (g) Rs.128,390 allocated for the purchase of books for the library had been accounted as the recurrent revenue and expenditure causing the capital revenue and expenditure undervalued.

- (h) According to Pradeshiya Sabha No. 4 of 3.81, Although the receipt of capital under the revenue head was Rs.33,131,142 it had been accounted in the Financial Statements as Rs.40,570,241, thereby capital revenues had been over stated in Rs.7,439,099.
- (i) Although the lease income from 2 meat stalls, 8 shop spaces and the economic centre belonging to the council was Rs.5,168,832. It had been accounted in the Income and Expenditure account as Rs.4,197,200 therefore the income account for the year had been under stated in Rs.971,632.
- (j) Although the Tender Property tax income arrears for the year ended 31 December 2017 amounted to Rs.849,932, It had been accounted in the Financial Statements as Rs.1,434,339 therefore Current Assets was over stated in Rs.584,407.
- (k) Although the Shop rental arrears for the year ended 31 December 2017 amounted Rs.358,490. It had been accounted in the Financial Statements as Rs.376,060 and therefore Current assets was over stated in Rs.17,570.
- (l) Stamp duty charges receivable from the North Central Province Pradeshiya Sabha amounted to Rs.3,398,807. While it had been accounted in the Financial Statements as Rs.3,000,000 the revenue and current assets were under stated in Rs.398,807.
- (m) For loans obtained from the Domestic Loan Development Fund, a sum of Rs.309,204 paid during the year had been debited in the National Development fund account, therefore the domestic loan lending Development Fund was under stated.
- (n) Although the balance of the debt to be settled for the Domestic Loan Development Found amounted to Rs.3,195,268 it had been recorded as Rs.2,920,215 and therefore Rs.275,053 was under stated in the Loan Development Fund account.
- (o) Although no liabilities have been identified in the year 2016, Rs.634,730 worth expenditure had been paid in the year 2017 which actually belonged to the year 2016. Therefore expenditures had been over stated during the year under review.
- (p) Although the employee loans as at 31 December 2017 amounted to Rs.1,427,314 the value of the assets exceeded by Rs.169,177 due to it being represented in the Financial Statements at Rs.1,596,491.
- (q) Although the balance of the Accumulated Fund balance brought forwarded in the year 2016 and the balance after adjustments for the year 2017 should be Rs.24,215,305 it had been recorded in the Financial Statements as Rs.9,650,515 and therefore Rs.14,564,790 had been under stated in the Accumulated Fund account.

1.3.2 Un-reconciled Accounts

A difference of Rs.225,739 was identified between the balances of No.14 of Pradeshiya Sabha and the Income and Expenditure account.

1.3.3 Uncertain Accounts

A debit balance of Rs.268,126 in uncertain accounts as at 31 December 2016 had been cut off by Rs.243,792 without any combination, and a balance of Rs.24,334 had been shown as at 31 December 2017.

1.3.4 Receivable and Payable Accounts

(a) Receivable Accounts

Action had not been taken to recover the 2 account balances totalled Rs.77,538 during the year under review.

(b) Payable Accounts

Action had not been taken to settle 7 account balances totalled Rs.2,401,391 which had been continued for many years.

1.3.5 Lack of Written Evidence for Audit

Transactions totalling Rs.108,834,876 of 4 subjects could not be vouched in audit due to the non-submission of required information.

1.3.6 Noncompliance

1.3.4.1 Non-compliance with the Management Laws, Rules and Regulations

Instances of noncompliance with the following laws, rules and regulations etc observed during the submission of information required.

Reference to Laws, Rules, Regulations etc.	Amount Rs.	No-Compliance
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(a) Pradeshiya Sabha Act No.15 of 1987

(i) Rules No 134 (3)

Action had not been taken to recover an acreage tax based on a permanent or a regular cultivation within the Sabha limits subjected to the approval of the minister.

(ii) Section 177

Action had not been taken to establish a by law to enact a scheme for paying gratuity for temporary and casual employees.

(b) Pradeshiya Sabha (Financial and Administrative) Rules – 1988

(i) Rule 5.11

There was no insurance coverage for the money in transit and other valuable goods belonged to the council.

(ii) Rules 217 and 218

A register had not been maintained in accordance with the format of P.S.46 with regard to the lands and buildings belonging to the council while it had not been subjected to inspection once in every year.

(c) As at 16 December 2016 505,045

Gazette No.1998 of the Democratic Socialist Republic of Sri Lanka.

34 cases of excess fee and taxes levied above the gazetted amount were observed.

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2 Financial Review

2.1 Financial Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.9,166,099 as compared with the corresponding excess of revenue over the recurrent expenditure amounting to Rs.7,788,787 for the year.

2.2 Revenue Administration

2.2.1 Estimated Income, Actual income and Arrears.

Information submitted regarding the billed revenue, collected revenue and arrears revenue relating to the year under review is shown below

Sources of income	Balance as at 01 January 2017	Billed Revenue as at 2017	Revenue Collections during 2017		As at 31 December 2017 the revenue arrears.
	Value. Rs.	Value.Rs.	Amounts received as at 01 January 2017 Value.Rs.	Billed Revenue as at 2017 Value.Rs.	Value.Rs.
Garbage Services	955,850	450,000	2,600	291,550	1,111,700
Pipe Wells	1,069,300	65,000	3,800	11,200	1,121,300
Court Fines	1,541,531	3,000,000	-	-	4,541,531
Stamp duty	6,944,557	3,000,000	-	-	9,944,557
Shop rentals	300,568	544,882	5,160	253,430	586,860
Weekly stalls	133,330	326,075	-	326,075	133,330
Meat shop	393,855	4,197,200	82,050	3,756,300	752,705
Total	<u>11,338,991</u>	<u>11,583,157</u>	<u>93,610</u>	<u>4,638,555</u>	<u>18,191,983</u>

2.2.2 Performance of Revenue Collection

The following were observed.

- (a) At the beginning of the year under review only 0.8 percent of Rs.93,610 out of the total arrears of revenue totaled Rs.11,338,991 had been recovered.
- (b) During the year only 40 percent worth Rs.4,638,555 out of total income Rs.11,583,157 had been received.
- (c) At the end of the year under review out of the billed revenue worth Rs.11,583,157, 157 percent worth Rs.18,193,983 revenue arrears had been identified.

3. Operational Review

3.1 Performance

The following reveals the functions performed by the Pradesiya Sabha under section 3, public health, public utility services, matters relevant to public roads, regularization and control, matters that were to

be fulfilled by the council for the convenience of the people for the betterment of the people, poverty alleviation and welfare.

(a) By laws

Although by laws had to be imposed for 28 major points in terms of section 126 of Pradeshiya sabha Act, as at 31 December 2017 by laws had not been imposed.

(b) Action Plans

An annual action plan had not been prepared for the work to be carried out by the council.

(c) Solid Waste Management

There was not waste management in the area around the council and the Pilisaru Project completed at a cost of Rs.3,640,264 in the Lolugaswewa area in 2016 had not been taken for use until 20 May 2018.

(d) Environmental Issues

Irregular release of waste to the Lolugaswewa forest reserve has caused a great threat to the environment and also to the wild animals such as elephants who consume them are in danger.

(e) Sustainable Development Goals

The agenda regarding the sustainable development goals of united nations of 2030 had not been informed to the council.

3.2 Management Inefficiencies

The following were observed.

(a) The council owned 2 tailors, 2 four wheel tractors, and a hand tractor which were not registered as at 31 June 2018.

(b) No valid revenue license had been obtained for 17 vehicles in running condition which belonged to the council.

(c) A trafe tractor and a trailer tractor had been in use without and insurance coverage.

3.3 Performance Inefficiencies

Shops belonging to the council had not been revalued for many years and the same charges had been leveled.

3.4 Asset Management

3.4.1 Not ensuring the safety of the Assets

89 cemeteries occupying 258 acres of land in the Pradesiya Sabha area had not been protected by borders and fences.

3.4.2 Unauthorized Assets

Action had not been taken to acquire the ownership of large 11 units of land with 23 perches, 01 Rood and 5 acres of constructed lands belonging to the Pradesiya Sabha including the building of the Council and 18 unspecified lands.

3.4.3 Unutilized and Underutilized Assets

39 items of unvalued assets had been accumulated for many years unutilized in the council area, while no action had been taken to repair them or to dispose them.

3.5 Procurement

No procurement plan had been prepared for the year under review.

4. Accountability and Good Governance

4.1 Presentation of Financial Statements

Although financial statements had to be submitted before the 31 of March in terms of Financial and Administrative Regulations rule 168 (1) of 1988 of the Pradesiya Sabha Act, It had been presented for audit as at 08 June 2018.

4.2 Budget Control

Due to the preparation of the budget estimates without a proper forecast, a significant variation of 162 percent had been observed between the budgeted and actual revenue while variants ranging from 21 percent to 82 percent was observed in 7 expenditure items between the budgeted and actual values.

4.3 Internal Audit

No internal Audit officer had been appointed in terms of section 6 of circular No. 04 of 2015 dated 18 March 2015 of the North Central Provincial Commissioner.

4.4 Audit and Management Committees.

Audit and management committees were not established for the year 2017 according to the circular issued by the Management Audit Department of Sri Lanka No DMA 2009 (1) Dated 09 June 2009.

5. Systems and Controls

The shortcomings observed had been referred to the Sabha from time to time and special attention should be paid to the following areas of governance.

System	Weaknesses
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(a) Accounting	(i). Ledger accounts not being maintained continuously. (ii). Not maintaining proper records of Pradesiya Sabha reports. (iii). Journal entries had not been prepared while correcting the adjustments of the previous year.
(b) Internal Controls	(i). Not implementing internal audit. (ii). Non establishment of Audit and Management Committees.
(C) Planning	Not preparing the action plan, procurement plan service plan and the internal audit plan.
(d) Lease of property	(i). Not updating the contracts. (ii). Not charging taxes and levies on management contracts. (iii). Not acting in accordance with the non taxpaying institution.
(e) Fixed assets	(i). All fixed assets not being documented. (ii). Not obtaining the legal ownership.