

Namal Oya Pradeshiya Sabha
Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 01 May 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 19 October 2018.

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 Namal Oya Pradeshiya Sabha give a true and fair view of the financial position 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 Accounting Deficiencies

The following matters were observed.

- (a) The value of 16 vehicles of the Sabha amounting to Rs.31,780,414 had been shown as Rs.36,623,794 in the financial statements resulting in an overstatement of non-current assets by Rs.4,843,380.
- (b) The closing stock of the year under review amounting to Rs.19,397 had been shown as Rs.34,527 in the financial statements resulting in an overstatement of current assets by Rs.15,130.
- (c) The value of 04 projects constructed within the compost sector valued at Rs.372,815 completed during the year under review had not been capitalized. As such, non current assets had been understated by a similar amount.
- (d) Development loan creditors of Rs.106,264 had not been brought to account with regard to the Project for improvement of the Polwaththa Compost Centre. As a result, current liabilities had been understated by a similar amount.
- (e) Fixed deposits as at end of the year under review amounting to Rs.500,000 had been shown as Rs.50,000 in the financial statements thus understating the fixed assets by Rs.450,000.

- (f) The balances of security deposits on behalf of agreements as at end of the year under review amounting to Rs.84,439 had been shown as Rs.181,390 in the financial statements thus overstating the current liabilities by Rs.96,951.
- (g) The balances of miscellaneous deposits as at end of the year under review amounting to Rs.447,600 as per schedule had been shown as Rs.653,096 in the financial statements thus overstating the current liabilities by Rs.205,496.

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

Instances of non-compliance with laws, rules, regulations and management decisions appear below.

| Reference to Laws, Rules, Regulations and Management Decisions | Non-compliance |
|---|--|
| <p>(a) Manual of Rules of the Pradeshiya Sabha</p> <p>-----</p> <p>Rule 59 – 66</p> | <p>-----</p> <p>Action had not been taken to identify institutions from which industrial tax could be recovered by carrying out a survey at commencement of each year so as to recover dues accordingly.</p> |
| <p>(b) Public Administration Circular No.30/2016 of 29 December 2016</p> | <p>Fuel testing had not been performed in respect of 06 vehicles which were in running condition.</p> |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.1,300,493 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.1,207,167.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

| Source of Revenue | 2017 | | | | 2016 | | | |
|-------------------|--------------------------|-----------------------|--------------------------|--|--------------------------|-----------------------|--------------------------|--|
| | Estimated Revenue Rs. | Revenue Billed Rs. | Revenue Collected Rs. | Total arrears as at 31 December Rs. | Estimated Revenue Rs. | Revenue Billed Rs. | Revenue Collected Rs. | Total arrears as at 31 December Rs. |
| Rates and Taxes | 315,000 | 75,550 | 75,550 | - | 20,000 | 7,620 | 7,620 | - |
| Rent | 2,358,600 | 1,843,205 | 1,829,063 | 50,690 | 1,979,920 | 1,657,802 | 1,652,146 | 36,548 |
| Licence Fees | 256,000 | 287,670 | 293,470 | 22,505 | 453,000 | 346,440 | 346,035 | 28,305 |
| Other Revenue | 2,101,000 | 1,299,987 | 880,430 | 977,408 | 1,574,000 | 1,555,396 | 1,635,263 | 557,852 |

2.2.2 Performance in collection of Revenue

The total revenue to be collected by the Sabha as at 31 December 2017 amounted to Rs.4,129,117 of which Rs. 3,078,513 had been recovered during the year. Accordingly, it was observed that the percentage of recovery of revenue was 74.55 per cent.

2.2.3 Other Revenue

According to the Gazette Notification No.1597/8 of 17 April 2009, at least Rs.20,000 should be recovered for granting approval for a telecommunication tower. However, a sum of Rs.180,000 had not been recovered for 09 telecommunication towers within the area of the Pradeshiya Sabha.

2.2.4 Court Fines and Stamp Fees

The court fines and the stamp fees receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2017 amounted to Rs.454,124 and Rs.469,659 respectively.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed.

- (a) Fifty one library books of the Sabha valued at Rs.5,615 had been misplaced according to the board of survey report. Necessary action had not been taken in this regard.
- (b) The Sabha had not taken action to recover the employees' loans of Rs.39,388 existing prior to 2013.
- (c) The finger print machine installed in 2017 by spending Rs.63,200 in terms of Circular No.09/2006 dated 16 April 2009 had become inoperative. Action had not been taken to repair it.
- (d) The Sabha had not taken action for disposal of the dilapidated cab which had been recommended for disposal by the board of survey 2017.
- (e) As a result of not acquiring the ownership of the motor grader and the bowser trailer on the required dates, a demurrage of Rs.4,800 had been paid while acquiring the ownership.

3.2 Human Resources Management

Vacancies for six officers in 05 posts consisting of the Secretary of the Staff and the Librarian existed as at 31 December 2017.

3.3 Operating Inefficiencies

Action had not been taken to obtain licence fees of Rs.12,000 due for 04 telecommunication towers during the year under review.

3.4 Assets Management

3.4.1 Unattended Maintenance and Repairs

Five vehicles worth Rs.3,794,700 of the Sabha were not in running condition and necessary action had not been taken to repair them.

3.4.2 Assets not Acquired

The ownership of 52 blocks of land used by the Sabha had not been acquired.

3.4.3 Idle and Under Utilized Assets

A modern lorry bowser of the Sabha valued at Rs.6,300,000 had performed 94 kilometres only during the year under review.

3.4.4 Vehicle Utilization

Revenue licences had not been obtained for 19 vehicles of the Sabha. Meanwhile, 17 vehicles had not been insured.

3.5 Procurement

3.5.1 Procurement Plan

The Sabha had not prepared a procurement plan for 2017 in terms of the National Budget circular No.128 issued on 24 March 2006.

4. Accountability and Good Governance

4.1 Budgetary Control

Variances ranging from 05 to 62 per cent existed between the budgeted and actual expenditure of the year under review showing that the budget had not been used as an effective instrument of management control.

5. **Systems and Controls**

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

| System ----- | Deficiency ----- |
|----------------------------|--|
| (a) Accounting | Assets not being brought to account. |
| (b) Budgetary Control | Lack of proper preparation of budget. |
| (c) Stock | Stores not arranged in such a manner so as to carry out instant verifications. |
| (d) Debtors and Creditors | (i) Non preparation of schedules. (ii) Non preparation of age analysis. |
| (e) Personnel Management | Vacancies not being filled. |
| (f) Projects and Contracts | Lack of adequate supervision. |