

Navinthanveli Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2017 had been submitted to Audit on 03 April 2018 and the Auditor General's Report relating to the year under review was sent to the Chairman on 19 October 2018.

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 Navinthanveli 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 Accounting Deficiencies

The balance of arrears meat stall rental of Rs. 1,235,677 for the year 2006 which had been written off during the year under review had been deducted from the lease rental income of the year under review and income and expenditure account without deducting from the Accumulated Fund and as a result income for the year had been understated.

1.3.2 Receivable Accounts

Receivable loan balance of Rs. 42,669 from the transferred and retired officers prior to 2001 had been shown in the financial statement continuously without being taking action to recover even by end of the year under review

1.3.3 Non-compliance with the Laws, Rules and Regulations

Instances of following non-compliance with laws, rules and regulations had been observed in audit test check.

Reference to Laws, Rules and Regulations	Value	Non - compliance
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(a) <u>Pradeshiya Sabha Regulation (Finance and Administration) 1988</u> Chapter I Paragraph 5 (XII)	Rs. -	Even though duties such as cash, inventories and signing cheques had been assigned to three officers, security bonds had not been taken from those officers.
(b) <u>Financial Regulation of the Democratic Socialist Republic of Sri Lanka</u> Financial Regulation 571	62,823	Action had not been taken by the Sabha on 17 lapsed deposits exceeding two years.

2. **Financial Review**

2.1 **Financial Results**

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted to Rs.3,179,304 when compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 4,623,162. Accordingly, a deterioration of Rs. 1,443,858 was indicated in the financial results.

2.2 **Revenue Administration**

2.2.1 **Estimated Revenue, Actual Revenue and Arrears of Revenue**

Information as furnished relating to Estimated Revenue, Actual Revenue and Arrears Revenue for the year under review and the preceding year are as follows.

Revenue Item	<u>2017</u>				<u>2016</u>			
	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	--	--	--	--	15	-	--	--

Rent	2,856	2,870	2,593	1,510	2,210	2,136	1,788	2,470
Licence Fees	485	426	426	--	310	424	424	--
Other Income	6,592	5,940	4,269	1,671	5,952	5,191	5,013	--

2.2.2 Performance of Revenue Collection

As at December 31, 2017, the Sabha had recovered Rs. 7,288,370 of revenue for the year under review out of the recoverable revenue of Rs. 11,182,662 up to 31 December 2017. Accordingly, revenue collection percentage was 65 per cent.

2.2.3 Rates and Taxes

According to Section 134 of the Pradeshiya Sabha Act No. 15 of 1987, action had not been taken to assess and recover rates on 324 business places and 6,049 houses within the authority area of the Sabha and nearly an income of Rs. 3,200,000 had been losing annually.

2.2.4 Arrears Meat Stall Rental

Arrears of lease rental of meat stalls for the period from 2007 to 2012 amounting to Rs. 1,234,304 had not been recovered even by the end of the year under review.

3. Operational Review

3.1 Management Inefficiencies

The following observations are made.

- (a) According to the budget estimates for the year 2017 the Pradeshiya Sabha has allocated a provision of Rs. 250,000 for the purchase of books for public libraries. Books valued at Rs. 91,886 only had been purchased in the year under review, and books had been purchased without identifying the requirements of the readers.
- (b) The Pradeshiya Sabha had set up a Library Development Committee to enhance the activities of the library to increase the knowledge of the readers. The Committee held only 05 meetings from the year 2015 to the end of the year under review and it was observed that the progress of the library and using of library by the readers were in a low level.

3.2 Procurement Procedure

3.2.1 Procurement of Sports Items of Children Park

It was estimated to construct a children's park and to purchase and installed sports items to it in the Central Camp area of the Pradeshiya Sabha authority area in 2017 at a cost of Rs.400,000 under the donations allocated to the Provincial Council Members. Following observations are made in this connection.

- (a) Since the Sabha had purchased sports equipment on a contract basis rather than purchasing from the sports selling institutions, the contractor had lost one sport item that the contractor could have purchased because it included Rs. 96,388 or 14 per cent and a 15 per cent Value Added Tax.
- (b) Although the Sabha had purchased and installed the sports equipment on a contract basis for Rs. 353,322, the purchases had not been made in the model presented by the Sabha. However, the Technical Officer had recommended and approved the payment that it was according to the model presented by the Sabha.

3.2.2 Purchase of Finger Print Machines

According to Guideline 3.5 of the Procurement Guidelines, Procurements only can be done through direct contracts in a institution of non-competitive environment, but without the foregoing reasons, Fingerprint Machines had been purchased for Rs. 92,862 from the State Trading Corporation of Sri Lanka in direct contracts without following the procurement guidelines. However, the Sabha had over paid a sum of Rs. 41,362 when other Sabhas had purchased the same type of fingerprint machines for Rs. 51,500.

3.2.3 Purchasing Furniture for the Public Library

Under the Provincial Council Decentralized Development Program of 2017, a sum of Rs.100,000 had been allocated to purchase furniture for the Navindanweli Public Library. These items have been purchased from the Sri Lanka State Trading Corporation and the following observations are made in this regard.

- (a) Even the goods were purchased through direct contracts for immediate requirements, 14 months had passed, the requirement was not fulfilled.
- (b) Although according to the purchase order given to suppliers on 27 June 2017, 130 furniture in 18 categories to be delivered before 2017, it was supplied 91 items in August 2017, 04 items in October 2017 and 23 items in November 2017.
- (c) When examining the prices of 68 furniture items belonging to 10 varieties of furniture purchased with the relevant product manufacturers' price indexes a sum of Rs. 68,371 had been lost to the Sabha as a result of direct purchasing method not being followed through the procurement process.

3.2.4 Concreting Roads and Constructing Canals

Provision of Rs. 2.7 million for GMMS school road and Rs. 3.3 million for Mordinar road had been made under the funds of the Ministry of City Planning and Water Resources for the year under review for concreting the road and constructing canals of the authority area of the Sabha and completed. The following observations are made in this regard.

- (a) Although concrete powder valued at Rs 159,159, which had not been laid even by 31 August 2018 in the contract for the construction of the GMMS School Road, an over payment had been made to the contractor.
- (b) Although the Modinar road had not been compacted with using approved soil with roller and spraying of high quality concrete powder for the value of Rs. 430,590 even by 31 August 2018, over payment had been made to the contractor for this work.

4. System and Control

Special attention should be made on following systems and matters mentioned before that.

Control Area	Matters to be made special attention
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(a) Fixed Assets Control	Maintaining fixed assets register.
(b) Revenue Collection Management	Action taking to recover arrears income.
(c) Solid Waste Management	Collecting Solid Waste separately
(d) Procurement Procedure	The price of goods should be reasonable and comparable