

**Nawagaththegama Pradeshiya Sabha
Puttalam District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year 2018 had been submitted to audit on 28 February 2019 and accordingly the summarized Auditor General's Report on 30 May 2019 and the Detailed Management Report on 26 June 2019 was sent to the Chairman.

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph of basis for qualified opinion, financial statements give a true and fair view of the financial position of the Nawagaththegama Pradeshiya Sabha as at 31 December 2018 and its financial performance and the cash flow for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

1.3.1 Accounting Policies

(a) Receivable and Payable Accounts

(i) Receivable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
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The total balance of 19 accounts receivable as at 31 December 2018 was Rs.11,083,841 and of which over 05 years exceeded had been totalled to Rs.95,055.	Action should be taken to recover accounts receivable.	Eight activities which were implemented under the "Dhorin Dhorata Gamin Gamata" 2014 project will have to be received a further Rs. 95,055 and I would kindly inform you that a written request has been made in connection with the recovery.

(ii) Payable Accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
The total balance of the nine accounts payable as at 31 December 2018 was Rs.3,698,610 and over 04 years exceeded creditors had been Rs.80,005.	Payable banaces should be settled.	It is kindly informed that Rs.95,082 activities which were implemented under the "Dhorin Dhorata Gamin Gamata" 2014 project could not be paid due to lack of funds.

(b) Documentary Evidences not made available for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Evidence relating to 02 Items of accounts totaled at Rs. 45,837,369 had not been submitted for the audit.	The relevant evidence should be presented.	As there is no Register on furniture and fittings, I would kindly inform you that steps will be taken to prepare a Register for that.

1.4 Non-Compliances**1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions**

The following non-compliances with Laws, Rules and Regulations and Management decisions were observed at the Audit.

Reference to Laws, Rules, Regulations and Management Decisions	Non-Compliance	Recommendation	Comments of the Accounting Officer
"1988 Pradeshiya Sabha (Financial & Administration) Regulations"			
(i) Rule 5 (3)	An internal testing had not been conducted on the collection of revenue.	An Internal Audit should be conducted	I am pleased to inform you that it will be done in the fall of 2019.
(ii) Rule 5 (7)	An Internal Audit had not been conducted to cover the full period in relation to financial and stores activities.	An Internal Audit should be conducted	Internal audit was not carried out to cover the entire period of financial and storage activities.

2. Financial Review

2.1 Financial Results

As per the Financial Statements presented, the revenue which exceeded the recurrent expenditure of the Sabha for the year ended 31 December 2018 was Rs. 1,753,151 while the corresponding revenue which exceeded the recurrent expenditure in the previous year was Rs. 3,415,682.

2.2 Administration of Revenue

2.2.1 Estimated Revenue, billed revenue, collected revenue and arrears of revenue

Information on estimated revenue, billed revenue, collected revenue and arrears in revenue presented in relation to the year under review and the previous year are mentioned below.

Revenue Item	2018				2017			
	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December	Estimated Revenue	Billed Revenue	Recovered Revenue	Arrears as at 31 December
	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'	Rs.000'
Rates and Taxes	386	488	467	21	314	414	420	-
Rental	1,699	4,052	4,031	22	1,699	1,317	1,317	-
Licence Fee	149	208	208	-	89	149	149	-
Other Revenue	3,188	2,312	1,059	1,253	3,188	1,063	1,063	-
Total	<u>5,422</u>	<u>7,060</u>	<u>5,765</u>	<u>1,296</u>	<u>5,290</u>	<u>2,943</u>	<u>2,949</u>	-

The collection of revenues includes the additions made from the billed income for the year under review and the arrears of the past year.

2.2.2 Performance of Revenue Collection

Audit Observation

Recommendation

Comments of the Accounting Officer

The total billed revenue for the year under review was Rs. 7,060,631 and of Rs.5,765,131 collected from the billed revenue and accordingly, the overall progress of revenue collection for the year was about 82 per cent.

The recovery of arrears must be expedited.

Not commented.

3 . **Operational Review**

3.1 **Performance**

The matters revealed on the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people and all amenities within such area under Section 3 of the Pradeshiya Sabha Act are mentioned below.

(a) **By-Laws**

Audit Observation	Recommendation	Comments of the Accounting Officer
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By-laws for the accomplishment of 30 major matters had to be enacted under Section 126 of the Pradeshiya Sabha Act. Nevertheless, By-laws only for the accomplishment of 15 matters had been enacted by 31 December 2018.	Action should be taken to enact by-laws for all major matters.	Not commenced.

(b) **Non allocation of Provisions**

Audit Observation	Recommendation	Comments of the Accounting Officer
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The 08 functions that should be accomplished by the Sabha and which had estimated at a value of Rs. 27,700,000 as per the prepared Annual Action Plan could not be carried out since provisions had not been allocated for the functions by the annual budget.	The budget requires provisions to be made in the action plan.	Please note that although it is included in the annual action plan, it has not been possible to allocate funds for such projects. I state that the Central Government and the Provincial Specific Development Grants were not received in the year 2018 as expected.

(c) Non – implementation of Activities

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Budgets provisions of Rs.499,000 made for 10 activities by the annual budget were not fulfilled during the year.	Allocations must be made efficiently and effectively.	Funds for the “Kuda Dodam Attewa Water Supply Project” and the Sathi Pola premises preparation projects were not implemented due to inadequate Expenditure was not spect as the rabies control program was not implemented in the Nawagattegama Pradeshiya Sabha area by the Department of Animal Production and Health in the year 2018. I agree that other programs could not be implemented in the year 2018.

(d) Solid Waste Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The garbage collected in the city was dumped in an open field without any garbage management process.	A formal solid waste management programme should be established and implemented.	Solid waste is being segregated collected and decomposed and handed over to a private buyer. Part of the non-decaying garbage is passed on to another private buyer. Please note that only residual waste will be directed to land filling.

(e) Sustainable Developmental Targets and Goals

The following aspects of the UN's "Sustainable Development Agenda 2030" were prepared to meet the goals and objectives to be achieved.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(i) The Council had identified 22 targets for six Sustainable Development Goals and planned to implement a number of activities to achieve those goals.	To achieve the Sustainable Development Goals, the targets must be reached.	Not commenced.
(ii) During the year under review, 50 per cent of the street lamps in the area have been designed to be converted to solar street lighting and the Internet access to the Public Library has been planned, but not initiated.	Steps need to be taken converted to solar street lighting and the Internet access to the Public Library.	50% of the street lamps in the area are expected to be completed by 2030 by sunlight. The public library is expected to receive internet access by 2020.

3.2 Management inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The Sabha had not implemented revenue promotional programmes or had not focused its attention on new revenue generating sources during the year.	Focus on new revenue sources.	It is planned to be assessed in the Nawagattegama Urban area by the end of 2019 as an assessment area. I would kindly inform you that the survey reports have already been forwarded to the Department of Valuation.
(b) Construction on the top floor of the public market and the bus stand had been completed in 2017, but due to non-availability of electricity in 2018, buildings could not be leased.	Action should be taken to obtain electricity and leasing of the buildings should be carried out.	The electricity connection had already been obtained for the upstairs of the bus stand and arrangements have been made to call for tenders to lease it. We are kindly informed that arrangements are being made to obtain the electricity connection for the upstairs of the public market.

- (c) The Nawagaththegama National Theater building, which was built on a land belonging to the Nawagaththegama Divisional Secretariat, which was vested in the public on 14 June 2016, had been spent by the Sabha Fund for Rs. 300,204 of which action had not been taken to transfer the ownership to Sabha even by March 2019.
- Action should be taken to expedite transfer of the asset.
- The Nawagaththegama Divisional Secretary had informed in writing that the Nawagaththegama Pradeshiya Sabha is in the process of being handed over.

3.3 Human Resources Management

Public service and supervisory activities performed by the Pradeshiya Sabha could not be accomplished by the Sabha properly as the Posts of Librarian, Works Supervisor, Tube well technician and Electrician of the Pradeshiya Sabha remained vacant continuously.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
No action had been taken to fill the vacant post of Secretary and the posts of each Librarian, Management Assistant, Development Officer in the Secondary Grade and the Technical Grades in the Primary Grade and in the post of tube well Technician and Electrician of each are available.	action should be taken to fill the vacant posts .	Not commenced.

3.4 Idled and Underutilized Assets

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Rs. 1,163,600 of equipment used at the Healthcare Electronic Water Treatment Plant built with the financial assistance of Nawagaththegama Pradeshiya Sabha and World Vision Lanka Ltd was in operation since 23 April 2014 had become inactive. Also two assets worth Rs. 325,000 have been inactive for several years.	An appropriate programme should be implemented.	This is a project started and implemented in 2014. With the introduction of RO water filtration technology by the government in the year 2018 and the private sector having begun distributing RO water filters, the demand for the Pradeshiya Sabha's water treatment was reduced, the

income of the Pradeshiya Sabha was reduced and the water source of the community water supply water unit received for the project was highly saline. This caused the machines to fail. Work is being done to auction these machines

3.5 Usage of Vehicles

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Although three vehicles were met with accidents in 2018 and the insurance claims were received, the damage reports have not been submitted to the Auditor General as per FR 104.	The relevant reports should be submitted to Auditor General.	In 2018, three vehicles were met with accident, causing a loss of Rs. 53,700. These accidents were caused by uncontrollable causes for the driver and the insurance company covered the loss of Rs. 49,740.

3.6 Contract Administration

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
Modernization of Bus Stand at Nawagaththegama Bus Stop Complex at Bus Stand 2017 was to be completed by 13 October 2017 to 28 December 2017, but only work that had not been done as per the contract had been completed and paid for. The finished parts have not been in the effectively usable condition.	Find the allocation and complete the work.	A proposal has been made to the line ministry to seek funds to complete the remaining work of the Nawagattegama bus stand. There was no provision for it in 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation

Recommendation

Comments of the Accounting Officer

Provision made available for 29 objects during the year under review had been saved 100 per cent.

A budget should be prepared to achieve the targets.

Not commenced.

4.2

Internal Audit

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though an Internal Audit Plan had been prepared by the Pradeshiya Sabha, an internal audit had not been conducted for the 2018 half year and the reports had not been presented to the Auditor General.

Internal Audit reports should be submitted to Auditor General.

The internal audit could not be carried out as planned for the second half of the year 2018. It is Kindly inform that for the year 2019 internal audit will be carried out properly