

**Narammala Pradeshiya Sabha
Kurunegala District**

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements of the year 2018 had been presented to the audit on 26 March 2019 and the summary report of the Auditor General on those financial statements had been sent to the Chairman on 30 May 2019 and the Detailed Management Audit Report had been sent to the Chairman on 20 June 2019.

1.2 Qualified Opinion

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

1.3 Basis for Qualified Opinion

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) The value of the Welikumburawatte land worth Rs. 75,000 had been stated twice in the financial statements and therefore, the value of the lands had been overstated by Rs.75,000.	Action should be taken to account accurate values.	Action will be taken to prepare the fixed assets register of the year 2019 and to take it to accounts.
(b) The value of lands amounting to Rs. 2,082,100 had not been brought to accounts.	Action should be taken to document fixed assets accurately and to account the fixed assets.	Action will be taken to prepare the fixed assets register of the year 2019 and to take it to accounts.
(c) The value of the motor bicycle of Hero type worth Rs. 126,500 had not been brought to accounts.	Should be accurately identified and taken to accounts.	Action would be taken to account it in the year 2019.
(d) Unreconciliations amounting to Rs. 1,124,926 were prevailed between balances	Action should be taken to reconcile	Action would be taken to rectify it in the year 2019.

related to 02 items of accounts and balances indicated in the scheduled related thereto stated in the financial statements as at the end of the year under review. changes in the relevant balances and to rectify accounts.

- (e) Deeds, transfer orders, reports of survey boards and registers for 02 items of accounts amounting to Rs. 9,760,004 had not been presented to audit. Evidences to substantiate the account balances stated in the financial statements should be presented. Action will be taken to survey in the year 2019 and all those registers are being arranged to prepare accounts in the year 2019.

1.4 Non Compliances

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

	Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
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(a)	<u>1988 Pradeshiya Sabha (Financial & Administration) Regulations</u>			
(i)	Regulation 206	Copies of the Annual Survey Board Reports had not been presented to the Auditor General.	Action should be taken to present copies of the Annual Survey Board Reports to the Auditor General.	Action should be taken to provide copies of the Annual Survey Board Reports to the audit. Annual surveys on lands and buildings had not been carried out.
(ii)	Regulation 218	Surveys on lands and buildings had not been carried out annually.	Action should be taken to carry out a land survey and to update the registers.	At present, a methodology for identifying the lands and buildings has been prepared and information is being received by now and annual survey activities would be carried out from the following year.
(b)	FR 571 of the Financial Regulations of	Action had not been taken in relation to the 214 deposits	Action should be taken in compliance with provisions of	Even though there are deposits of agreements and security bonds of shops in the

the Democratic Socialist Republic of Sri Lanka valued at Rs. 2,031,876 which had exceeded 2 years. the Financial Regulations. Narammala New market complex, Narammala public market complex and Narammala old market complex and which has exceeded 02 years, it is not possible to repay these deposits or to take them to the revenue as the same traders have been continuously taking the shops on lease basis.

- (c) State Accounts Circular No. IAI/2002/2 of 28 November 2002. A fixed assets register on computer accessories and software had not been maintained. It is required to maintain a fixed assets register on computer accessories and software. I would take action to maintain a fixed assets register on computer accessories and software.

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. 25,146,518 while the corresponding revenue which exceeded the recurrent expenditure in the previous year was Rs. 32,882,207.

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.

Source of Revenue	Year 2018				Year 2017			
	Revenue Estimated	Billed Revenue	Revenue Collected	Total Arrears as at 31 December	Revenue Estimated	Billed Revenue	Revenue Collected	Total Arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
I. Rates and Taxes	8,443	12,536	12,022	2,402	5,956	5,010	4,617	1,739
II. Rent	25,430	24,227	24,166	145	21,792	22,307	22,448	101
III. License Charges	1,311	1,013	1,013	-	2,151	2,355	2,355	-
IV. Other Income	75,841	80,785	116,734	32,465	72,815	79,641	79,577	17,423
Total	111,025	118,561	153,935	35,012	102,714	109,313	108,997	19,263

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
A sum of Rs. 1,207,616 had to be recovered further by 30 April 2019 out of the sum of Rs. 2,240,292 to be recovered as at 31 December in the year under review.	Action should be taken to recover rates and acreage taxes that are in arrears further.	A sum of Rs. 1,032,676 had been recovered by 30 April 2019 out of the rates and acreage taxes outstanding by 31 December in the year under review.

2.2.3 Court Fines and Stamp duty

Audit Observation	Recommendation	Comments of the Accounting Officer
Court fines receivable was Rs. 7,140,026 and stamp duty receivable as at 31 December 2018 was Rs. 24,680,039.	Action should be taken to recover court fines and stamp duty to be received further.	It is hereby notified that a sum of Rs. 2,464,427 has already been recovered out of court fines and stamp duty.

3 . Operational Review

3.1 Performance

(a) Action Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
Four (04) functions that should have been accomplished by the Sabha as per the by-laws enacted had not been included in the Annual Action Plan.	The Action Plan had to be prepared by accurately identifying the functions that should be accomplished by the Sabha.	It is informed that annual development plan had been prepared by including all the programmes that are implemented by the Sabha Annually.

(b) Environmental Issues

Audit Observation	Recommendation	Comments of the Accounting Officer
Due to a weakness occurred in the construction of the toilet close to Narammala People's Bank by incurring Rs.2,330,807, it constantly spilt out and as a result, water of the toilet pit had to be removed constantly. Therefore, a sum of Rs.108,410 had been incurred in 7 instances during the years 2017 and 2018. However, it had been proposed to purchase a gully bowser by approving a resolution at the Sabha in September 2018 without normalizing this situation.	Proper Action should be taken to minimize environmental issues.	Arrangements had been made to inform the female Local Government Engineer in this regard to obtain her instructions and to take action accordingly. At present, a letter had been referred to the female Local Government Engineer and she has instructed to prepare the toilet pit to avoid water in wash basins leaking to the toilet pit.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to settle payable balances that had exceeded one year amounting to Rs. 7,045,594.	Action should be taken to settle account balances payable.	The deposits have exceeded one year.

3.3 Human Resources Development

Vacancies and Surpluses of Employees

Audit Observation	Recommendation	Comments of the Accounting Officer
Twelve (12) employees in relation to 06 Posts in the primary section and 11 casual employees in relation to 06 posts had been additionally employed in the service.	Action should be taken to make additional employees formalized.	Eleven (11) casual employees had been recruited in relation to 06 posts among the posts in the junior service that had been made permanent under 25/2014 and request had been referred to the Department of Management Services to obtain the approval

3.4 Asset Management

Assets not Vested

Audit Observation	Recommendation	Comments of the Accounting Officer
Action had not been taken to vest the land where the Oliyadeniya solid waste centre and crematorium were located and the land where Delikanu Anga Maternity Clinic Centre was located.	Action should be taken to vest assets.	It is informed that requests had been made in writing to the Divisional Secretary of Narammala to vest the land where Delikanu Anga Maternity Clinic Centre was located and relevant action is being taken to vest the land where Oliyadeniya crematorium is located as it is a land owned by the Plantations PLC.

3.5 Procurement

Procurement Plan

Audit Observation	Recommendation	Comments of the Accounting Officer
----- A procurement plan had not been prepared.	----- Action should be taken in accordance with guidelines.	----- It is informed that procurement plan related to the year 2018 had not been prepared.