

**Madyama Nuwaragam Palatha Pradeshiya Sabha
Anuradhapura District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to the Audit on 30 March 2019 and the summary report of the Auditor General relating to those financial statements had been submitted to the Chairman on 06 June 2019 and the detailed management audit report had been submitted on 02 July 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of this report, the accompanying financial statements give a true and fair view of the financial position of the Madyama Nuwaragam Palatha Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3. Basis for Qualified Opinion

(a) Accounting Policies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
The Sabha had not disclosed the accounting principles adopted in preparing the financial statements.	Accounting policies should be disclosed in the financial statements.	Not replied.

(b) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
-----	-----	-----
(i) Even though the court fine revenue amounted to Rs. 6,125,749, it had been stated as Rs. 6,286,746 in the Income and Expenditure Account. Accordingly, the excess had been overstated by Rs. 160,997.	Income should be properly accounted for.	The Department of Provincial Revenue has not notified of the court fines due in December 2018.

- | | | | |
|-------|--|---|--|
| (ii) | Out of the receivable court fines revenue, a sum of Rs. 808,996 receivable relating to May and June 2017 had not been accounted for. | Income should be recognized and accounted for properly . | Accepted.
Since amounts relevant to May and June 2017 had not been brought to account, a sum of Rs. 808,996.00 has been understated in the account. |
| (iii) | Since value of 03 air conditioners worth Rs. 346,035 purchased in the year under review had been stated as Rs. 34,035 in the fixed assets registers, fixed assets had been undersataed by Rs. 312,000. | Correct accounts should be shown. | Accepted.
In accounting for the value of 03 air conditioners, the correct value of Rs. 346,035.00 has been erroneously accounted as Rs. 34,035.00. |
| (iv) | The value of the tractor bearing the number WP SE 2828 received in 2007 was Rs. 175,000 and that value had been accounted for as Rs.1,750,000. | Accounts should be prepared properly. | Accepted. |
| (v) | The value of the garbage yard, which was built in 2017 at a cost of Rs. 3,640,264 had not been brought to account under the fixed assets. | All capital expenditure for the year must be shown in the accounts. | Accepted.
Action will be taken to account the value of the garbage yard. |

(d) Unreconciled Accounts

Audit Observation

- (i) There was a mismatch of Rs. 3,058,937 between the value of 05 items of accounts stated in the financial statements and the schedules presented in relation thereto.

Recommendation

Accounts should be corrected by comparing the relevant the balances

Comments of the Accounting Officer

This difference has been caused due to the mistake made in the deduction of the distress loan of the Local Government Department from the salary and in recording the employees loans head of the Pradeshiya Sabha's in the P.S. 04 reports.

- | | | | |
|------|---|--|----------------|
| (ii) | The opening balances of 31 accounts of Rs.303,613,965 as at 01 January of the year under review, had been stated as Rs. 288,578,148 in the financial statements and as such, a total difference of Rs. 56,456,450 was observed. . | Certified balances in the financial statements of the previous year should be taken as the opening balance of the year under review. | Not submitted. |
|------|---|--|----------------|

(d) Accounts Receivable and Payable

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Six accounts receivable balances totaling Rs.3,075,611 which remained over a number of years had not been recovered during the year under review.	Action should be taken to recover the balance due.	Action will be taken to correct it in the preparation of the 2019 account.
(ii) Four payable items of accounts totaling Rs. 4,355,666 continued to exist over a number of years had not been settled even during the year under review.	Action should be taken to settle the payable accounts	Due to the lack of proper maintenance of industry records, it is not possible to identify how this money was spent.

(e) Lack of Necessary Written Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Since asset registers, title certificates, balance confirmation letters and detailed schedules had not been submitted for the 04 items of accounts worth Rs. 125,229,278, those could not be satisfactorily verified in audit.	Written evidence should be furnished to substantiate the value set out in the financial statements.	Accepted.

1.4. Non-compliance

 Non-compliance with laws, rules, regulations and management decisions

Reference to laws, rules, and regulations	Non-compliance	Recommendation	Comments of the Accounting Officer.
-----	-----	-----	-----
(a) Public Administration Circular No. 30/2016 dated 29 December 2016	Fuel combustion test had not been carried out on 12 vehicles owned by the Sabha.	The circular should be followed.	Accepted. The circular will be followed in the future.
(b) Section 2.1 of the Motor Traffic Act (Cap.203)	Two tractors, two trailers, two bowsers and a tractor received by the Sabha a number of years ago had not been registered even by the end of the year 2018.	The circular should be followed	Action will be taken to register the vehicles in the future.
(c) Gazette Notification No. 2045 of the Democratic Socialist Republic of Sri Lanka dated 10 November 2011	A sum of Rs.1,154,600 had not been charged for the transportation of 13021 cubes of gravel on the roads of the area of authority of the Sabha in the year 2018.	Action should be taken in accordance with the gazette notification.	Although the royalty for gravel is charged by the Divisional Secretariats, charge has not been recovered for gravel in the roads of the council.

02. Financial Review

2.1 Financial Results

 According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 6,578,175 for the year ended 31 December 2018 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 9,166,099 for the preceding year.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue, and Revenue in Arrears

 Information on the estimated revenue, billed revenue, collected revenue, and revenue in arrears, presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Rates and Taxes	480,000	337,930	337,930	2,113,950	515,000	316,350	316,350	2,113,950
ii. Rents	5,533,525	3,771,743	3,690,701	1,308,382	5,249,192	3,328,167	2,396,505	1,227,340
iii. Licence Fees	1,982,680	1,083,408	1,083,408	-	976,500	1,391,928	1,391,928	-
iv. Other Revenue	8,000,000	10,286,746	5,444,997	20,277,231	6,000,000	6,949,393	-	15,435,482
Total	15,996,205	15,479,827	10,557,036	23,699,563	12,740,692	11,985,838	4,104,783	18,776,772

2.2 Rates and Taxes

Audit Observation

The Sabha had not taken any formal action to recover the outstanding garbage service charges of Rs. 1,403,550 that had continued to exist over a number of years.

Recommendation

Action should be taken to recover that amount.

Comments of the Accounting Officer

When charging garbage service charges, there is a deficit due to collecting revenue without entering into an agreement and action will be taken to write off that deficit.

2.2.3 Court Fines and Stamp Duty

Audit Observation

The total court fines due as at 31 December 2018 amounted to Rs. 6,332,674 and the stamp duty was Rs. 13,944,557.

Recommendation

Action should be taken to settle them

Comments of the Accounting Officer

Action will be taken to recover those amounts.

03. Operating Review

3.1 Performance

Matters revealed in 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 to be performed by the Council in terms of Section 3 of the Pradeshiya Sabha Act, are as follows.

(a) By-laws

Audit Observation	Recommendation	Comments of the Accounting Officer.
By-laws had not been enacted under Section 126 of the Pradeshiya Sabha Act in order to carry out 28 main activities.	Action should be taken to enact by-laws.	Measures are being taken to enact by-laws.

(b) Solid waste management

Audit Observation	Recommendation	Comments of the Accounting Officer.
Although a Pilisaru Center was constructed in 2016 in Lolugaswewa, at a cost of Rs. 3,640,264 to manage garbage collected in the area, and it was revealed that there was no proper waste management to date and that the waste collected was being informally buried at the project center without being segregated.	Action should be taken in accordance with the National Environmental Act No. 47 of 1980. The proper disposal of solid waste and waste collection should be initiated by the waste management center.	The Central Nuwaragam Province, which has a very large land area, It is declared that as there are not enough employees for the local garbage collection and management, it is impossible to properly implement the management of garbage.

(d) Sustainable Development Goals

Audit Observation	Recommendation	Comments of the Accounting Officer.
The Sabha was unaware of the United Nations 2030 Agenda on Sustainable Development Goals .	Action should be taken in accordance with the Sustainable Development Agenda 2030.	Due to the lack of sufficient funds to implement the development projects under this program, these development targets have not been implemented.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer.
No formal action had been taken against the 32 identified unauthorized constructions within	The Sabha should take action to deal with unauthorized constructions.	The relevant parties have been informed of the unauthorized constructions in the sacred city of

the area of authority of Sabha.

Tantirimale. The relevant parties and the District Secretary have also been informed of the unauthorized stalls. Steps will be taken to address this in the future.

3.3 Human Resource Management

Audit Observation

Recommendation

Comments of the Accounting Officer.

The approved cadre of the Sabha is 55 and total staff comprising 39 members of the permanent staff, 07 casual employees had been employed as at 31 March 2019. Accordingly, there were 18 vacancies in the permanent staff and an excess of two staff members.

Action should be taken to fill the staff vacancies.

Although matter was referred to the Department of Local Government and the Public Service Commission, the vacancies exist and the vacancies are covered by the excess employees.

3.4 Assets Management

3.4.1 Idle and Underutilized Assets

Audit Observation

Recommendation

Comments of the Accounting Officer

Seven vehicles worth Rs. 2,450,000 belonging to the Sabha remained inactive for a period of two to five years.

Action should be dispose of the vechles of which repairs seem uneconomical.

Action will be taken to properly deal with these unusable vehicles at the Board of Survey,2019.

3.5 Procurement

Procurement Plan

Audit Observation

Recommendation

Comments of the Accounting Officer

A Procurement Plan had not been prepared.

A Procurement Plan should be prepared.

Not replied