

Niyagama Pradeshiya Sabha
Galle District

1. Financial statements

1.1. Presentation of Financial Statements

The Financial Statement for the year 2018 had been submitted for audit on 29 March 2019 and the summary report of the Auditor General on 30 May 2019 and the Detailed Audit Report on 13 June 2019 had been sent to the Chairman of the Council.

1.2. Qualified Opinion

In my opinion except for the effect on the matters described in the Section of the basis for qualified audit opinion of this report, Financial Statements give a true and fair view of the financial position of the Niyagama 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 the qualified opinion

(a) Accounting deficiencies

Audit Observations	Recommendations	Comments of the accounting officer
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(i) Interest paid for the loan taken from the Local Loan Development fund amounting to Rs.331,378 had not been accounted from na expenditure and was deducted as a Loan Balance and as such payable Loan Capital had been understated in that amount.	Action should be taken to Account properly.	Action will be taken to correct during the preparation of accounts of the year 2019.
(ii) Action had not been taken to account previous year Stamp fees amounting to Rs.4,707,842 and Court fines amounting to Rs.172,600 received in the year under review.	Action should be taken to account receipts	Action will be taken to correct during the preparation of Accounts of the year 2019.
(iii) Action had not been taken to provide provision for work creditors of Rs.2,029,180 to be paid for Work that	Action should be taken to Account properly.	Action will be taken to correct in preparation of

had been finished in the year under review.

accounts of the year 2019.

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| (iv) | A total amount of Rs.2,239,976 to be collected for work had not been accounted and as such the income for the year had been under stated in that amount. | Action should be taken to account properly. | Action will be taken to correct during the Accounts preparation of the year 2019. |
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(b) Unreconciled accounts.

Audit Observations

Recommendations

Comments of the accounting officer

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| (i) | A differences were observed between the Registers/Sub registers amounting to Rs.662,152 and the deposit balances of the financial statements totaling to Rs.1,863,985. | Action should be taken to correct the accounts after comparing the difference between the relevant balances. | Action will be taken to correct the differences since the differences had been due from a long time. |
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(c) Receivable and Payable Accounts

Audit Observations

Recommendations

Comments of the accounting officer

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| (i) | Accounts Receivable | | |
| | A balance of Rs.18,177,087 of due other income was present in the year under review, yet the registers were not maintained, to show the age analysis for arrears balances had not been submitted. | Action should be taken to collect the arrears of income and keep the balances of the receivable account to a minimum. | Action will be taken to collect the arrears of income. |
| (ii) | Payable Accounts | | |
| | Action had not been taken to settle an amount of Rs.10,411,232 to be paid for 3 works done in the previous 3 year, even up to the end of the year under review. | Action should be taken to settle the balances of the Payable accounts. | Action will be taken to settle in future. |

(d) Lack of documentary evidence for audit.

Audit Observations	Recommendations	Comments of the accounting officer
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Due to the lack of necessary information, 06 accounting items totaling to Rs.116,279,460 could not be satisfactorily vouched.	Action should be taken to present the necessary evidence to verify the balances of the Financial Statements.	Action will be taken to correct in future.

1.4 Non-Compliance

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

References to Laws, Rules, Regulations and Management Decisions	Value Rs.	Non-compliance	Recommendation	Comments of the accounting officer
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(a) Section 131 of Pradeshiya Sabha Act No. 15 of 1987	-	Although a average monthly balance of Rs.18,963,101 had been observed, but action had not been taken to invest the extra money and obtain a income.	Action should be taken to invest the extra amount and expand the Council Funds.	Action will be taken to consider for investment in future.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka				

(i) Regulation 387	1,334,630	Cheques had been issued exceeding the balance of the bank account as such the balance of the bank account for 4 months had been over draft.	Action should be taken according to the Financial Regulations	Action will be taken to do transaction as such that there will not be a credit balance in cash book.

(ii)	Financial Regulation 571	2,573,820	Actions had not been taken to reinvest over aged deposits.	Action should be taken in accordance with the Financial Regulations	Action will be taken to invest expired Deposits in the future.
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2. Financial Review

2.1. Financial Results

According to the Financial Statements presented, the surplus of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.4,435,278 as compared to surplus of revenue over recurrent expenditure of the preceding year amounted to Rs.2,366,313.

2.2. Financial Control

Audit Observations	Recommendations	Comments of the accounting officer
Having a minus value of the Working Capital and a debit balance of the Accumulated Fund Account will affect for the going concern of the Council.	Action should be taken to increase the working capital and favorable Accumulated Fund.	Action will be taken to correct in future.

2.3. Revenue Administration

2.3.1. Estimated Income, Billed Income, Collected Income, and Arrears of Income

the details about the estimated income, billed income, collected income and arrears of income for the year under review and the preceding year is stated below.

Source of Income	Estimated Income	2017			2016			
		Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	Arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Assessment and Tax	1,419,850	1,461,880	1,746,829	375,934	1,197,304	699,772	623,793	503,984
ii. Rent	5,690,850	4,620,375	4,969,716	150,664	6,452,280	589,052	3,621,611	301,664
iii. Permit Charges	310,625	419,286	421,411	-	345,500	859,828	886,728	14,867
iv. Other income	35,695,672	34,472,853	35,053,168	12,875,615	39,260,692	29,946,212	27,266,241	8,348,986
Total	43,116,997	40,974,394	42,191,124	13,402,213	47,225,776	32,094,864	32,398,373	9,169,501

2.3.2. Performance of revenue collection

Audit Observations	Recommendations	Comments of the accounting officer
<p>The total arrears of income as at 01 January of the year under review amounted to Rs.9,169,501 while the billed income valued at Rs.40,974,394. As such the total income to be collected within the year amounted to Rs.50,143,895 yet the total collections of the year amounted to Rs.42,191,124 and as such revenue collection was 84 per cent.</p>	<p>Action should be taken to collect the arrears of income.</p>	<p>Action will be taken to collect the arrears of income and bills in the future.</p>

2.3.3. Assessment and Tax

Audit Observations	Recommendations	Comments of the accounting officer
<p>Action had not been taken to collect assessment tax as according to Section 158(1) of No.15 of 1987 Pradeshiya Sabha Act.</p>	<p>Action should be taken to collect the arrears of income immediately.</p>	<p>Action will be taken to immediately collect the arrears of income in the future.</p>

2.3.4 Rent Income

Audit Observations

Recommendations

Comments of the
accounting officer

A proper approval had not been submitted for Audit for cut off Rs.151,000 from the income. As such the action had not been taken to collect the arrears of income as according to the Section 159(1) of No.15 of 1987 Pradeshiya Sabha Act.

Action should be taken to collect the arrears of income and proper approval should be obtained to cut off the income.

The decision of the council for cut off the income will be presented. Action will be taken to collect the arrears of income.

2.3.5 Other income

Audit Observations

Recommendations

Comments of the
accounting officer

The arrears of other income for the end of the year under review amounted to Rs.12,875,615 and as compared to the preceding year there was an increase of Rs.4,526,629 or 54 per cent.

Action should be taken to collect the arrears of income.

Action will be taken to collect the arrears of income in the future.

2.3.6 Court Fines and Stamp Fees

Audit Observations

Recommendations

Comments of the
accounting officer

The Court fines received from the Chief Secretary and other authorities of the Council as at 31 December of the year under review amounted to Rs.2,979,133 and stamp fees receivable amounted to Rs.9,426,055.

Action should be taken to collect the arrears of Court Fines and Stamp Fees

Action had been set to the inform the Secretary via a letter instructing to pay the arrears of income.

3. Operational Review

3.1. Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

(a) Action plan

Audit Observations	Recommendations	Comments of the accounting officer
An action plan had not been prepared for the works to be done by the council according to the By-laws enacted.	An action plan should be prepared annually.	Action will be taken to prepared a annual action plan in the future.

(b) Delay in performing tasks

Audit Observations	Recommendations	Comments of the accounting officer
Although an amount of Rs.260,000 for 03 projects in the preceding year and an amount of Rs.375,000 for 05 projects in the year under review had been received to the Council, action had not been taken to finish the activities even up to the end of the year under review.	Action should be taken to finish the development projects.	Action will be taken to finish the projects on the year 2019.

(c) Solid Waste Management

Audit Observations	Recommendations	Comments of the accounting officer
An amount of Rs.1,201,655 had been taken from the Pilisaru Project in the year 2009 and spent to construct an Organic Compost Plant without a feasibility study and the project had been completely abandoned in year 2016.	There should be a proper and long-term mechanism to dispose of garbage.	Action is being taken to obtain land belonging to the government and a long-term plan will be prepared.

(b) Goals of sustainable development

Audit Observations

Recommendations

Comments of the
accounting officer

Plans had not been made according to 2030 Agenda of the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.

Action should be taken to make a long-term plan to enhance the living standards and health of the citizens.

Action will be taken to make a plan to enhance the living standards of the citizens within the area of authority of the council

3.2. Management Inefficiency

Audit Observations

Recommendations

Comments of the
accounting officer

Action had not been taken to identify the areas that assessment tax could be collected and collect assessment tax according to the Section 159(1) of No.15 of 1987 Pradeshiya Sabha Act.

Action should be taken to name the assessment areas and collect the assessment.

Action will be taken to collect the assessment after naming the assessment areas and collect assessment.

3.3 Human Resource Management.

Audit Observations

Recommendations

Comments of the
accounting officer

(i) Vacancies

Action had not been taken to fill 11 vacancies as according to the approved Carder.

Action should be taken to recruit employees properly.

Action will be taken to fill the vacancies after discussing with the Department of Local Authority.

(ii) Security guards had been recruited as a supplementary post since September and

Action should be taken to regularize

Action will be taken to correct in

an amount of Rs.71,133 had been paid as salaries in the year under review. the supplementary future. post.

3.3. Asset Management

Idle Assets

Audit Observations	Recommendations	Comments of the accounting officer
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Disposed a cab and a Hardymech machine had been parked in the Council for more than 03 years and action had not been taken to dispose in according with the Ministry of Finance Circular No.02/2015 dated 10 July 2015.	Action should be taken to dispose or repair.	Action will be taken to dispose in the future.

3.5 Identified loss

Audit Observations	Recommendations	Comments of the accounting officer
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Action had been taken to further recoverable Rs. 52,980 in respect of the missing books worth Rs.72,980 Also, no action has been taken regarding the loss of library books worth Rs. 19,624 in the year 2017.	Should be recovered from responsible persons.	Action will be taken to recover in the future.

4. Accountability and Good Governance

4.1. Budgetary control

Audit Observations	Recommendations	Comments of the accounting officer
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(a) The estimated total amount had been remained for one expenditure item.	Action should be taken to prepare real estimates.	Action will be taken to obtain the targeted expenditure in the preceding year.

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| (b) | The remainder of 05 expenditure items totaled to Rs.16,392,007 and those values ranged from 41 per cent to 77 per cent. | Action should be taken to prepare real assessments. | Action will be taken to obtain the targeted expenditure numbers in the preceding year. |
| (c) | The total of 02 not achieved totaled to Rs.13,757,075 and ranging from 63 per cent to 77 per cent. | Action should be taken to prepare real assessments. | Action will be taken to obtain the targeted expenditure numbers in the preceding year. |

4.2. Internal audit

----- Audit Observations	Recommendations	Comments of the accounting officer
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Although an internal auditing officer had been appointed as according to the No. දපපා/යන/01/නා.ව.ලේ dated 24 February 2014 of circular of the Commissioner of direction and Local Government (southern province) and Financial Regulations 133 and 134 of the Financial Regulations of the Republic of Sri Lanka, yet a proper audit had not been conducted.	Action should be taken according to the Financial Regulations.	Action will be taken to conduct a proper internal audit in the future.

4.3 Activities of the Audit and Management Committees

----- Audit Observations	Recommendations	Comments of the accounting officer
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Action had not been taken to held an Audit and Management Committee even up to the end of the year under review as according to the direction of Department of Management Audit Circular No. DMA/2009(i) dated 09 June 2009.	Action should be taken according to the Circular.	Action will be taken to conduct Audit and Management Committees Meeting in due course.