

Neluwa 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 28 March 2019 and the summary report of the Auditor General on 30 May 2019 and the Detailed Management Report had been sent on 14 June 2019 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 Neluwa 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 deficiencies

Audit Observations	Recommendations	Comments of the accounting officer
-----	-----	-----
(i) Provisions had not been made for Creditor amounting to Rs.7,122,226 to be paid for the Pension Salary Fund of the Local Government even up to 31 December of the year under review.	Action should be taken to account properly.	Action will be taken to correct in preparation of accounts in the year 2019.
(ii) Action had not been taken to capitalize the value of a photocopy machine purchased for Rs.60,500 in the year under review.	Action should be taken to account properly.	Action will be taken to correct in preparation of accounts in the year 2019
(iii) Receivable Interest income amounting to Rs.116,420 had been understated as at 31 December of the year under review.	Action should be taken to account properly.	Action will be taken to correct in preparation of accounts in the year 2019

(iv)	Received Court Fines in the year under review amounting to Rs.70,583 had been accounted as receivable Court Fines.	Action should be taken to account properly.	Action will be taken to correct in preparation of accounts in the year 2019
(v)	The Cost of Supply and Equipment and Cost of Transport and Supplementary Services of the year under review had been overstated by an amount of Rs.127,000.	Action should be taken to account properly.	Action will be taken to correct in preparation of accounts in the year 2019
(vi)	Although an amount of Rs.45,665 had been stated in the accounts as Overseer field stores stocks, such stocks were not physically available.	Action should be taken to account properly.	Action will be taken to correct in preparation of accounts of the year 2019
(b)	Unreconciled accounts. ----- Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
(i)	A difference of Rs.5,083,553 had been observed in 06 accounting items between the Financial Statements totaling to Rs.18,415,413 and its balances in registers and sub registers	Action should be taken to correct the accounts after comparing the difference between the balances.	Action will be taken to correct the differences since the differences had been due since long time.
(ii)	Differences of Balances of 02 current accounts between the balance sheet and the cash books amounted to Rs.67,560.	Action should be taken to correct the accounts after comparing the difference between the balances.	Action will be taken to correct the differences since the differences had been due since a long time.
(c)	Suspense Account ----- Audit Observations -----	Recommendations -----	Comments of the accounting officer -----
	Action had not been taken to settle an amount of Rs.21,176 due from before 2015 in the debt balance of the suspense account.	Action should be taken to look into the matter and settle the suspense account	Action will be taken to correct in the future.

(d) Receivable and Payable Accounts

Audit Observations	Recommendations	Comments of the accounting officer
(i) Receivable accounts		
<ul style="list-style-type: none">Action had not been taken to collect an amount of Rs.3,572,194 from the Department of Local Government as Government Relief for 07 Development Projects done in 2014	Action should be taken to collect the receivable amounts.	Action will be taken to collect in the future.
<ul style="list-style-type: none">No proper action had been taken to recover Rs.16,328,828 as at in the year under review which includes a deficit of over 5 years amounting to Rs. 478,300, plus a balance amounting to Rs. 13,816,285 six years of arrears of balances.	Action should be taken to collect the receivable amounts.	Action will be taken to collect in the future.
(ii) Payable Accounts.		
Action had not been taken to settle balances due from 01 to 05 years of General supply creditors amounting to Rs.260,222 and capital expenditure creditors amounting to Rs.1,266,887.	Action should be taken to settle payable balances.	Action will be taken to correct in the following years.

(e) Lack of Documentary Evidence for Audit.

Audit Observations	Recommendations	Comments of the accounting officer
Due to the lack of information presented, 08 accounting items totaling to Rs.12,114,561 could not be satisfactorily vouched for audit.	Action should be taken to submit proof for the account balances of the Financial Statements.	Action will be taken to correct in the future

1.4 Non-Compliance

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

References to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comments of the accounting officer
-----	-----	-----	-----
(a) Rule 218 of Pradeshiya Sabha (Financial and Administration) 1988	Action had not been taken to conduct annual survey at least one year for Land and Buildings belonging to the Council.	Action should be taken in accordance with the Rules.	Action will be taken to do so in the future.
(b) Financial Regulation 570 and 571(1)(2) Financial regulations of the Democratic Socialist Republic of Sri Lanka.	Two kind of deposit balancing to Rs. 265,830 was expired by 2 years and had not been taken to the income.	Action should be taken in accordance with the Financial Regulations.	Action will be taken to do so in future.

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.3,159,098 as compared to surplus of revenue over recurrent expenditure of the preceding year amounted to Rs.134,952.

2.2. Financial Control

Audit Observations	Recommendations	Comments of the accounting officer
-----	-----	-----
Action had not been taken to correct the difference amounting to Rs.19,648 in between the cash book balance and bank balance in the general current account.	Action should be taken to correct the balance of the Cash book	Action will be taken to correct in the 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			Arrears as at 31 December
		Billed Income	Collected Income	Arrears as at 31 December	Estimated Income	Billed Income	Collected Income	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
i. Assessment and Tax	415,500	403,450	403,450	41,223	430,000	288,080	325,854	40,005
ii. Rent	7,369,300	7,414,900	7,333,496	584,946	6,154,800	5,835,950	6,315,457	202,418
iii. Permit Charges	184,300	259,043	259,043	-	125,000	189,444	189,444	-
iv. Miscellaneous income	853,150	943,969	1,043,969	-	2,079,500	1,182,199	1,182,199	-
Total	8,822,250	9,021,362	9,039,958	626,169	8,789,300	7,495,673	8,012,954	242,423

2.3.2. Acreage tax

Audit Observations	Recommendations	Comments of the accounting officer
Although the Acreage tax to be collected amounted to Rs.27,920, yet collection amounted to Rs.7,411 or 26 per cent.	Action should be taken to collect the acreage tax without delay	Action will be taken to collect in the future.

2.3.3. Court fines and stamp fees.

Audit Observations	Recommendations	Comments of the accounting officer
The Court Fines amounted to Rs.440,897 and stamp fees amounted to Rs.5,375,900 to be collected from the Chief Secretary of the Council and other authorities as at 31 of the year under review.	Action should be taken to collect the arrears of income.	Action will be taken to collect 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 to enact the works to be done by the Council had not been prepared as according to the By-laws enacted.

An annual action plan should be prepared.

Action will be taken to prepared annual action plan in future.

(b) Abandoned Work

Audit Observations

Recommendations

Comments of the
accounting officer

Although a Project to Plant Flowers and beautify the environment in hopes of increasing the greenery around urban and sub-urban areas of Neluwa and Duvilialla had been approved and an amount of Rs.232,625 had been spent from the given amount of Rs.375,125, yet the project had not been initiated even up to 26 February 2019.

Action should be taken to finalize the project work.

Action will be taken to finalize the project.

(c) Solid Waste Management

Audit Observations

Recommendations

Comments of the
accounting officer

(i) Garbage from selected areas had been collected and dumped in a hole dug in a Playground belonging to the Council.

Action should be taken to prepare a long-term plan for proper garbage disposal.

A project is being prepared.

- (ii) Although the service of disposing, collecting and transport of Garbage was made essential by the No.2015/53 dated 20 April 2017 Gazette Notification and it was stated that different unit should be made and a proper long-term plan should be made, but the Council had not done so.
- (d) Goals of sustainable Development

Audit Observations	Recommendations	Comments of the accounting officer
Long term 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.	A long-term plan should be prepared and enhance the living standards of the people.	A plan will be prepared for enhance the living standards of the people in future.

3.2. Management Inefficiencies

Audit Observations	Recommendations	Comments of the accounting officer
(a) An amount of Rs.40,832 had been paid by the council for the Electricity bill of the People's fair annually rented on tender.	The electricity bill should be paid by the tenderer.	No answer has been given.
(b) Arrears of Shop tax amounting to Rs.584,971 was seen in a two-story building consisting of 21 rooms belonging to the council as at 31 December of the year under review. Although legal action had been taken to collect the rent of 04 stores, yet action had not been taken to collect the arrears from the rest of the 17 shop rooms.	Action should be taken to collect the arrears of tax.	Action should be taken to take legal action and collect the arrears of Tax.

3.3. Human Resource Management

Audit Observations	Recommendations	Comments of the accounting officer
(a) Surplus and Vacancies of Cadre		
Action had not been taken to complete 10 Vacancies and Regulate 05 Surplus of cadre even up to 31 December of the year under review.	Action should be taken to complete the vacancies and regulate the surplus of cadre.	The post of Society Development Officer had been given to the Department of Local Government. Action will be taken to Regulate the remaining posts.
(b) Staff Loans		
Worker loans that could not be collected from 08 Workers who were deceased, retired or left service totaled to Rs.144,020.	Action should be taken to collect the arrears of Loans.	Action will be taken to collect the arrears of the loans in future.

3.4 Asset Management

3.4.1. Non collecting of income receivable from the asset.

Audit Observations	Recommendations	Comments of the accounting officer
Although an amount of Rs.100,000 had been estimated to be collected by renting out a water bowser belonging to the council, yet income had not been collected.	Action should be taken to collect the income of the rent.	Action could not be taken to collect the income from the bowser since the bowser was large in size.

3.4.2. Assets not taken over

Audit Observations

Recommendations

Comments of the
accounting officer

Action had not been taken to take over 04 vehicles amounting to Rs.2,483,200 and 02 vehicles not mentioned the values given to the council for the time frame 2008 to 2015.

Action should be taken to take over the ownership of the vehicles.

Action will be taken to take over the ownership in the future.

3.4.3. Idle/Underutilized assets

Audit Observations

Recommendations

Comments of the
accounting officer

A hand tractor and a hoister given to the Council in the years 2008 and 2013 had been idled since 2014 and was left parked in the Council premises.

Action should be taken to discard if unrepairable.

Action will be taken to auction in future.

3.4. Procurement

3.5.1. Procurement plan.

Audit Observations

Recommendations

Comments of the
accounting officer

Action had not been taken to prepare a procurement plan for the year under review for the supply and services of goods.

Action should be taken to prepare a procurement plan.

Action will be taken to prepare a procurement plan in future.

3.5.2. Supply and Services

Audit Observations

Recommendations

Comments of the
accounting officer

Furniture and fitting amounting to Rs.343,867 and Children's park equipment amounting to Rs.534,893 had been bought by the council without calling quotations.

Action should be taken according to the Procurement Guidelines.

Action will be taken to call quotations from a Registered supplier.

4. Accountability and Good Governance

4.1. Budgetary control

Audit Observations	Recommendations	Comments of the accounting officer
(a) The total provisions amounting to Rs.97,000 had been saved since it had not been used for the expected target of 03 expenditure items.	Action should be taken to prepare real estimates.	Action will be taken to estimate the Expenditures correctly.
(b) A remaining amount of Rs.5,484,920 or 35 per cent to 50 per cent had been observed for 04 expenditure items.	Action should be taken to prepare real estimates.	Action will be taken to estimate the Expenditures correctly.

4.2. Internal Audit

Audit Observations	Recommendations	Comments of the accounting officer
(a) Internal audit had not been conducted as according to the Circular of the Commissioner of Local Government (Southern Province) No. දළඹ/යන/01/න.ව.ලේ dated 24 February 2014 and Financial Regulations 133 and 134 of the Financial Regulations of the Democratic Socialist Republic of Sri Lanka,	Action should be taken to prepare an audit plan according to the Financial Regulations and the Circular and an internal audit should be conducted.	Action will be taken according to the Financial Regulations and the Circular.
(b) Action had not been taken to inquire from the Auditor General when preparing an Internal Audit Program as according to the Financial Regulation 134 and Internal audit reports for the year under review had not been prepared.	Action should be taken to prepare Internal Audit reports.	Action will be taken according to the Financial Regulations and the Circular.

4.3. Audit and Management Committee

Audit Observations

Recommendations

Comments of the
accounting officer

Action had not been taken to conduct
Audit and Management Committee
Meetings in the year under review as
according to the Management Audit
Circular No. DMA/2009(i) of dated 09
June 2009.

Action should be
taken according to
the circular.

Action will be
taken according to
the Circulars.