

Nagoga Pradeshiya Sabha

Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

The Financial Statements for the year 2018 had been submitted for audit on 27 March 2019 while the Summary Report of the Auditor General on 31 March 2019 and the Detailed Management Audit Reports on 14 June 2019 had been sent to the Chairman.

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 Nagoda 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 audit opinion

(a) Accounting Deficiencies

	Audit Observations	Recommendations	Comments of the accounting officer
(i)	Court fine amounting to Rs.779,771 receivable as at the beginning of the year had been understated amounting to Rs.779,771 due as at the end of the year under review had been over stated.	Should be accounted correctly	Action will be taken to correct in preparing the account in 2019
(ii)	Receivable street light maintenance charges amounting to Rs.113,760 in the year under review had not been accounted.	Receivable money should be accounted	Action will be taken to correct in preparing the account in 2019
(iii)	Contribution amounting to Rs. 30,000 to be paid as at 31 December of the year under review for the Local Administration Salary Pension Fund had not been accounted.	Should be accounted correctly	Action will be taken to correct in preparing the account in 2019

(iv)	Purchasing goods in the year under review amounting to Rs. 46,520 had been transferred to the vote ledger as recurrent expenditure.	Should be accounted correctly	Action will be taken to correct in preparing the account in 2019
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(b) Un-reconciled Accounts

Audit Observations

Recommendations

Comments of the accounting officer

There was a difference of Rs.49,944,320 in between the balances of Six accounting items of the financial statements as at 31 December of the year under review and the balances in the utility registers and sub registers

Action should be taken to reconciled the differences and correct the accounts.

Since there are differences that have existed for long time, action will be taken to correct them in due course.

(c) Suspense accounts

Audit Observations

Recommendations

Comments of the accounting officer

Credit balance totaling to Rs. 18,315 in the suspense accounts coming from the year 2018 had not been settled

Have to be identified and clarify

Actions will be taken to correct in previous year.

(d) Receivable and Payable accounts

Audit Observations

Recommendations

Comments of the accounting officer

(i) Receivable accounts

- Action had not been taken to recover the arrears of Fair Tax amounting to Rs. 1,073,519 relevant to the year 2016 and 2017 from the balance of Rs. 2,011,519 as at 31 December of the year under review.

Balances from the previous years should be recovered.

Action will be taken to recover these in future.

- Action had not been taken to recover receivable stamp fees amounting to Rs. 5,060,809 carrying forward in the financial statements. Should be charged from previous years. Action will be taken to recover in future.

(ii) Payable Accounts

- Action had not been taken to settle credit balancing to Rs.8,359,121 in the credit balance which were due for numbers of years. Should be settle due from previous years. Action will be taken to settle down in future.
- Action had not been taken to settle the Government Grant valued at Rs. 1,368,296 from the year 2011 to 2017. Should be settled from previous years. Action will be taken to settle down in future.

Audit Observations

Recommendations

Comments of the accounting officer

Seven accounting items totaling to Rs. 166,180,709 could not be satisfactorily examine due to not submitting of relevant information.

The evidence should be submitted by confirming the balances in financial statements

Action will be taken to correct in due course.

(e) Lack of documentary evidence for audit

1.4 Non-compliance

Non-compliance with Laws, Rules and Regulations

Audit Observations

Reference to Laws, Rules and Regulations	Value	No- compliance	Recommendations	Comments of the accounting officer
Section 172(2) of Pradeshiya Sabha Act No. 15 of 1987	1,005,877	Action had not been taken to settle the Audit fees to be paid	Action should be taken to settle the audit fees soon	An amount of Rs.10,000 will be paid monthly as of

from 1999 to 2018
even up to the year
under review

the decisions of the
General Meeting

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.4,396,110 as compared to surplus of revenue over recurrent expenditure of the preceding year amounted to Rs.1,013,416.

2.2. Revenue Administration

2.2.1. 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	64,000	65,812	4,093	336,386	65,000	65,553	21,320	274,666
ii. Rent	3,498,380	3,531,600	2,823,700	2,533,969	3,512,720	3,497,720	2,520,948	1,841,037
iii. Permit Charges	450,000	1,028,522	906,072	122,450	600,000	763,018	763,018	-
Total	4,012,380	4,625,934	3,733,948	2,992,805	4,177,720	4,326,291	3,305,286	2,115,703

2.2.2. Performance of Revenue Collection

Audit Observations

The total arrears as at 01 January of the year under review amounted to Rs.2,115,703 while the bills valued to Rs.4,625,934. As such the total income to be collected within the year amounted to Rs.6,741,637 yet the total collections of the year amounted to Rs.3,733,948 and as such the performance of revenue collection was 55 per cent.

Recommendations

Action should be taken to collect the arrears of income.

Comments of the accounting officer

Action will be taken to collect income as according to the budget.

2.2.3. Assessment

Audit Observations	Recommendations	Comments of the accounting officer
Action had not been taken to collect assessment tax after declaring assessment areas as according to Section 134(1) and (2) of No.15 of 1987 Pradeshiya Sabha act.	Action should be taken to collect assessment tax from developed areas.	Action will be taken to conduct a survey to identify Assessments.

2.2.4. Acreage tax

Audit Observations	Recommendations	Comments of the accounting officer
Although an amount of Rs.340,478 should be collected as acreage tax in the year under review, yet an amount of Rs.4,093 had been collected as such collection percentage amounted to 1.2 per cent of the original amount	Action should be taken to collect the arrears of Acreage tax.	Action will be taken to collect after identifying so the lands had been divided.

2.2.5. Tax Rent

Audit Observations	Recommendations	Comments of the accounting officer
Although the total revenue to be collected in the year under review amounted to Rs.5,372,637, yet the collected amount was Rs.2,823,783 and as such the performance of collection was 53 per cent.	Action should be taken to collect the arrears of income.	Action will be taken to collect the arrears of Tax Rent.

2.2.6. Court Fines and Stamp Fees

Audit Observations	Recommendations	Comments of the accounting officer
The Court Fines and Stamp Duties to be taken from the chief Secretary of the Council and other authorities at 31 December 2018 amounted to Rs.1,120,229 and Rs.5,060,809 respectively.	Action should be taken to collect the arrears of income	An amount of Rs.214,120 for court fines and an amount of Rs.578,396 for stamp fees had

been collected.
Action will be taken to collect the remaining amounts.

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) Delay in performing duties

Audit Observations	Recommendations	Comments of the accounting officer
Action had not been taken to put an amount of Rs.55,000 given for 02 works during 2016 and 2017 for the respective works.	Action should be taken to act as to fulfill the goals of the council.	Action will be taken regarding this in the future.

(b) Sustainable Development Goals

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 enhance the living standards and health of the citizens living within the area of authority of the council.	A long-term plan is present. Action will be made according to this.

(c) Solid Waste Management

Audit Observations	Recommendations	Comments of the accounting officer
An amount of Rs.612,500 had been spent for the garbage management of the solid waste management facility in Udugama	Action should be taken to obtain the ownership of the	Action will be taken the obtain the ownership and

Aphopwatta and an amount of Rs.66,168 had been collected as revenue from sales of compost. Yet, action had not been taken to obtain the ownership of the land to the council and an environmental license had not been obtained for the land area.

land and an environmental permit.

an environmental permit.

(d) Action Plan

Audit Observations	Recommendations	Comments of the accounting officer
Although an Action Plan had been prepared for 08 functions to be fulfilled by the council for the by laws enacted, yet action had not been taken to implement the said functions.	Must comply with the action plan.	Due to the disaster situation occurred in 2018, action could not be taken to implement the functions successfully.

3.2 Human Resource Management

(a) Excess and vacancies

Audit Observations	Recommendations	Comments of the accounting officer
(i) Excess number of the staff over the approved carder was 24 and the vacancies were 17 according to the Carder Plane	Action should be taken in accordance with the Carder Plan.	Action will be taken to regularized the excess positions and recruited for vacancies.
(ii) Salaries and allowances amounting to Rs. 1,400,056 had been paid in the year under review for 7 employees who had been recruited contra to the Management Service Circular No 28 dated 01 April 2006	Action should be taken in accordance with the Carder Plan.	Recruitments had been done in accordance with Circular 25/2014
(iii) The approved number pre school matron was 3 but 11 had been recruited. In addition to that	Recruitments should be done as approve.	Requests had been done for increase carder

another 3 had been recruited therefor the number of excess preschool matrons were 14.

Vacancies should be filled.

(iv) Pharmaceutical combinations post of the only Ayurvedic center in Mapalagama belonging to the council was vacant.

Actions will be taken to recruited in due course.

(v) Employees of the congregation were assigned higher duties than the duties of the post

Actin should be taken to assign duties relevant to the post.

Answers had not been given

3.3 Operational in efficiencies.

 (a) Revenue licenses and Insurances had not been taken to the vehicles.

Audit Observations	Recommendations	Comments of the accounting officer
Although it is mandatory to obtain a revenue license to drive a vehicle in accordance with the Motor Ordinance No. 14 of 1951, 4 vehicles belonging to the Council were not obtained revenue licenses and were used for driving without insurance cover.	Revenue licenses and insurances should be taken	Insurance certificate for 2 vehicles had been obtained.

(b) Renting Shop Rooms

Audit Observations	Recommendations	Comments of the accounting officer
(i) Although the council owns four old shops in Mapalagama and 05 in Talgaswala, there is no deed to prove ownership. Lease agreements had not been signed when leasing six shops rooms.	Arrears of rent should be collected properly.	Agreements have been signed for two shops. Part of the arrears have been recovered
(ii) Agreements had not been sign for 2 shop rooms in Mapalagama shopping Complex.	Rent agreement should be properly sign and arrears should be collected.	Agreements have been signed for 2 shops rooms. Part of the arrears have been recovered

4. Accountability and Good Governance.

4.1 Budgetary Control

	Audit Observations	Recommendations	Comments of the accounting officer
(a)	The total of the adverse variance of the 4 income items was Rs.16,941,945, which was between 22 per cent and 51 per cent.	Real estimate should be prepared.	Attention will be drawn to the matter in due course.
(b)	The total of four expenditure items was Rs. 13,666,010, with savings ranging from 30 per cent to 91 per cent.	Real estimate should be prepared.	Attention will be drawn to the matter in due course.

4.2 Internal control

	Audit Observations	Recommendations	Comments of the accounting officer
	Although the Internal auditors had been appointed in accordance with the provisions of the Financial Regulations 133 and 134 of the Democratic Socialist Republic of Sri Lanka and the Commissioner of Local Authorities (Southern Province) Circular No. දපපා/යහ/01/න.ව.ලේ dated 24 February 2014, adequate internal audit had not been conducted.	Actions should be taken in accordance with the Financial regulation and the Circular.	Action will be taken to conduct an internal audit and send report in due course.