

Namaloya Pradeshiya Sabha

Ampara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented for audit on 04 April 2019 and the summary report of the Auditor General on the financial statements and the detailed management report had been forwarded to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effect of matters described in the basis for qualified opinion section of this report, the financial statements give a true and fair view of the financial position of the Namaloya 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 Basics for the Qualified Opinion

a) Accounting Deficiencies

Audit Observations	Recommendations	Comments of the Accounting Officer
i. Rs.5,092,719 valued finished work of the Solid Waste Management Centre built under "Pilisaruru" Project in the year 2013 had been capitalized as Rs.4,284,956 in the year 2016.	The Correct value should be accounted.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
ii. Rs.1,902,073 valued finished work of the Wawinna Shopping Complex built under the "Puraneguma" Project had been capitalized as Rs.1,892,073 in the year 2016.	The Correct value should be accounted.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
iii. Buildings in the Compost Yard built by Rs.4,046,740 under the provisions of the Ministry	The Correct value should be accounted.	Agreed. It would be corrected when

	of Local Government in the 2017 had been capitalized as Rs.4,236,834.		preparing the Financial Statements for the next year.
iv.	The finished work valued Rs.8,074,024 of the Paragakelaya Cultural Centre Building built in the year 2013 under “Deyata Kirula” Program had not been capitalized.	Assets owned by the Sabha should be capitalized.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
v.	Rs.7,269,657 receivable from the Department of Local Government and the Ministry of Local Government on 07 completed projects had not been accounted and the money payable of Rs.7,269,657 for the contractors for completing the industries, had not been allocated provisions in the accounts during the year under review.	The Correct value should be accounted.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
vi.	Tractor Trailer of Rs.450,000 owned by the Sabha had not been capitalized.	Assets owned by the Sabha should be capitalized.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
vii.	Court Fines income of Rs.1,419,166 regarding the year 2018 had been accounted as Rs.1,258,083.	Accounts should be prepared accurately.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
viii.	The miscellaneous expenditure of Rs.57,120 for the year under review had not been accrued in the accounts.	Accounts should be prepared accurately.	Agreed. It would be corrected when preparing the Financial Statements for the next year.
ix.	Provisions had not been allocated for the Audit Fees for the year under review.	Accounts should be prepared accurately.	Agreed. It would be corrected when preparing the

Financial
Statements for the
next year.

b) Unreconciled Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
A difference of Rs.76,956,614 had been appeared between 04 items of Assets and the balance of the General Deposit Account stated in the Financial Statements and its Subsidiary Registers and Documents.	Actions should be taken to correct the differences after comparing.	Agreed. Actions would be taken to make it correct when preparing the Financial Statements next year.

c) Receivable and Payable Accounts

Audit Observations	Recommendations	Comments of the Accounting Officer
Actions had not been taken to recover Rents and License Fees amounting to Rs.37,513 coming continuously over the year 2013 in the year under review.	Actions should be taken to recover the receivable balances.	Agreed. Actions would be taken to settle in the future.

d) Lack of Necessary Documentary to Evidence for Audit

Audit Observations	Recommendations	Comments of the Accounting Officer
Rs.13,969,260 valued on 06 items of Assets and Rs.5,567,873 valued on 03 items of Liabilities could not be satisfactorily vouched during the audit due to non rendition of relevant registers, documents, time analysis and balance verifications.	Evidence for confirming the balances of accounts in the financial statements should be furnished.	Agreed. Actions would be taken to settle in the future.

1.4 Non Compliances

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

Reference to Laws, Rules, Regulations and Management Decisions	Non Compliances	Recommendations	Comments of the Accounting Officer
(a) Pradeshiya Sabha Act No.15 of 1987 Section 19(i) and 19(ii)	A temporary Heavy Vehicles Operator had ben recruited and paid salaries of Rs.187,250 for the period July 2018 to December without a prior approval of the Commissioner of Local Government.	Actions should be taken in accordance with the Regulations of the Act.	A request had been sent to the Commissioner of Local Government to obtain the approval.
(b) <u>Rules of Pradeshiya Sabha (Financial and Administrative) Rule No.207</u>	The Lands owned and utilized by the Sabha had not been acquired and entered the assessed value in the Fixed Assets Register.	Actions should b taken in accordance with the Rules of the Pradeshiya Sabha.	Agreed. Actions would be taken to assess the Lands and acquire in the future.
(c) <u>Financial Regulations of the Democratic Socialist Republic of Sri Lanka</u>			
i. F.R 110	A Damages and Losses Register had not been maintained on accidents and losses happened to a machine and vehicle owned by the Sabha.	Actions should b taken in accordance with the Financial Regulations.	Agreed. Actions would be taken to maintain Register in the future.
ii. 571(3)	Actions had not been taken to dispose the expired deposits of Rs.150,236 deposited in the years 2014, 2015, and 2016.	Actions should b taken in accordance with the Financial Regulations.	Agreed. Actions would be taken in the future.
(d) <u>Public Administration Circular</u>			
i. Circular No.30/2016 on 29 December 2016	Fuel Consumption of 08 running conditioned vehicles and machinery had not been investigated.	Actions should b taken in accordance with the Circular.	Agreed. Actions would be taken to correct in the future.

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| | ii. Circular No.09/2009 on 16 April 2009 | 03 vehicles in running condition had not been discarded. | Actions should b taken in accordance with the Circular. | Agreed. It would be discarded through the Pradeshiya Sabha in the future. |
| (e) | State Finance CircularNo.02/2015 10 October 2009. | Finger Print Machines had not been used according to the Circular to mark the attendance of the Officers. | Actions should b taken in accordance with the Circular. | Agreed. The Finger Print Machines had been broken due to lightning. Actions would be taken to repair or purchase a new machine in the future. |
| (f) | Circular No.1980/46 of the Commissioner of Local Government on 31 December 1980 | 08 Stalls owned by the Sabha had been lesased out without assessing in the year 2018. | Actions should b taken in accordance with the Circular. | Agreed. Actions would be taken to make an assessment and lease out properly. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2018 amounted to Rs.612,895 as compared with the excess of recurrent expenditure over revenue of the preceding year amounting to Rs.1,300,493.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2018				2017			
	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December	Estimated Revenue	Revenue Billed	Revenue Collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	270,000	66,000	66,000	-	315,000	75,550	75,550	-
(ii) Rent	2,438,600	2,336,012	2,358,833	23,039	2,358,600	1,843,205	1,829,063	50,690
(iii) Licence Fees	372,000	712,590	712,590	22,505	256,000	287,670	293,470	22,505
(iv) Other Revenue	2,013,006	2,644,399	2,542,486	413,967	2,101,000	1,299,987	880,430	977,408

3. Operating Review

3.1 Performance

The following matters were revealed with regard to duties to be fulfilled by the Sabha in terms of Section 3 of the Pradeshiya Sabha Act, such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>By-laws</u> Even though by-laws should be imposed on completing 30 matters it had not been imposed as at 31 December 2018.	Action should be taken to allocate necessary by-laws, to regulate and recover the fees.	Actions are being taken.
(b) <u>Action Plan</u> The activities to attain the aims of the year had not been recognized because an Action Plan had not been made for the year. Therefore the ability to measure the performance had been lost.	Action plan should be made for the each year.	Agreed.
(d) <u>Targets of Sustainable Development</u> Sabha had not been aware of the “Agenda of Sustainable Development-2030” by the United Nations.	Sabha should realize and establish the Aims and Targets of Sustainable Development.	Agreed.

3.2 Management Inefficiencies

Audit Observations -----	Recommendations -----	Comments of the Accounting Officer -----
A complete report on the damage of the front window of the Backhoe Machine owned by the Sabha had not been forwarded according to the F.R.104(4)	Actions should be taken in accordance with the Financial Regulations on the Vehicle Accidents.	Agreed. The driver had been advised and sent a letter to the personal file.

3.3 Human Resources Management

Audit Observations	Recommendations	Comments of the Accounting Officer
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a. <u>Vacancies and Excesses</u> 06 vacancies had been appeared in 05 posts in the Staff as at 31 December 2018.	The vacancies should be filled up.	Agreed.
b. Actions had not been taken to recover an arrears in loan balance of Rs.39,388 02 Officers transferred and retired.	The employee loans should be recovered had not been recovered so far.	Agreed. Actions would be taken to recover this in the future.

3.4 Assets Management

3.4.1 Assets Not Registered

Audit Observations	Recommendations	Comments of the Accounting Officer
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02 bTrailers owned by the Sabha of Rs.450,000 had not been entered to the Fixed Assets Register.	Assets should be entered in to the Register.	Agreed. Actions would be taken to enter into the Fixed Assets Register.

3.4.2 Revenue from the Assets not Recovered

Audit Observations	Recommendations	Comments of the Accounting Officer
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The Cultural Centre built in the year 2013 by the “Deyata Kirula” Program of Rs.8,074,024 had not been used to make income.	The Assets should be used for the tasks that make an income.	Agreed. Actions had being taken to use in making income.

3.4.3 Assets not Acquired

Audit Observations	Recommendations	Comments of the Accounting Officer
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44 pieces of lands utilized by the Sabha had not been acquired.	The legitimate ownership should be acquired under the name of the Sabha.	Agreed. Actions would be taken to acquire in the future.

3.4.4 Idled/ Underutilized Assets

Audit Observations	Recommendations	Comments of the Accounting Officer
02 vehicles in usable state of Rs.1,700,000 had been abandoned and parked in the Sabha Premises even at the end of the year 2018.	Actions should be taken to utilize the vehicles.	Agreed. It should be repaired and it would be used after it had been repaired.

3.4.5 Vehicles Utilization

Audit Observations	Recommendations	Comments of the Accounting Officer
09 vehicles and machinery valued Rs.59,758,361 without insurance and annual Revenue License had been used in the year 2018.	Actions should be taken to obtain insurance and Revenue License.	Agreed. Actions had been taken to insure and obtain the Revenue License.

3.5 Procurements

3.6.1 Procurement Plan

Audit Observations	Recommendations	Comments of the Accounting Officer
A procurement Plan had not been prepared in accordance with the National Budget Circular No.128 on 24 March 2006 for the year 2018.	A Procurement Plan should be prepared for the each year.	Agreed. Actions would be taken to prepare a Procurement Plan