

**Nindavur Pradeshiya Sabha
Ampara District**

1. Financial Statements

1.1 Presentation of Financial Statements

Financial statements for the year 2018 had been submitted to Audit on 08 April 2019 and the Summarized report and the detailed management audit report of the Auditor General on the said Financial Statements were sent to the Chairman on 31 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph of this report, the financial statements give a true and fair view of the financial position of the Nindavur pradeshiya sabha as at 31 December 2018, and of its financial performance for the year then ended in accordance with generally accepted accounting principles.

1.3 Basis for Qualified opinion

(a) Accounting Deficiency

Accounting Deficiency	Recommendation	Comments of the Accounting Officer
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(i) A sum of Rs. 96,620 which had remained as a receivable rent from the Motor Grader as at 31 December 2018 had not been shown in the financial statements.	Receivable rent revenue should be taken into accounts	It had not been taken into final accounts due to no details being presented regarding Motor Grader outstanding.
(ii) Receivable rent of Rs. 540,000 relating to 36 months' rent of the Old council office building had not been taken into accounts.	Receivable rent income should be taken into accounts	It was informed to the relevant Ministry to pay the rental of the council building through the letter No. NTR/PS/FA/GEN/2017 dated 18/04/2018. It had not been taken into accounts because no responses made to the said letter by the Ministry.
(iii) Value of 44 books which had been received as donation to the Amir Mersa public library in the year 2018 had not been assessed and shown in final accounts	Action should be taken to assess the values and to show in accounts.	It was not shown in the accounts because no documents or value regarding the 44 books were provided by the librarian of Amir Mersa public library. However, actions will be taken to assess and to take into accounts.

(b) Receivable and Payable accounts

Audit Observation	Recommendation	Comments of the Accounting Officer
Actions had not been taken to pay a sum of Rs. 2,951,150 that should be paid to the Ceylon Electricity Board for street light electricity consumption and to recover a receivable amount of Rs. 2,477,322 from the electricity board, and it had been shown continuously in the financial statements for a period over 22 years.	Actions should be taken to either pay or to recover or to properly write off.	The outstanding belongs to the period of Gam Sabha, actions will be taken to write off.

(c) Documentary Evidences not made available for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Five accounting items valued at Rs. 42,842,560 could not be satisfactorily verified in audit due to lack of Land deeds, Fixed assets document verification.	Evidence should be provided to verify the balances shown in the financial statements.	Full details of fixed assets were not shown in the final accounts. Actions will be taken to separately show the type and value of fixed assets.

1.4 Non-compliance**Non-compliances with Laws, Rules Regulations and Management Decisions**

Reference to Laws, Rules Regulations and Management Decisions	Non-Compliance	Recommendation	Comment of the Accounting Officer
(a) Pradeshiya Sabha (Financial and Administrative) Rules 1988 Section 193	A statement reasoning the excesses and deficiencies of actual expenditure compared	Actions should be taken to prepare	Actions will be taken to present the report summarizing the

		with budgeted and Supplemental Standard Expenditure in the year under review had not been prepared and submitted to audit.	statements and to submit to audit in the relevant periods of time.	revenue with the budget, in the future.
(b)	Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Actions had not been taken to either pay back to the relevant personals or to transfer into revenue account regarding 31 deposits valued at Rs. 1,512,758 that has exceeded two years.	Actions should be taken either to pay back to the relevant personals or to transfer into revenue accounts.	Actions will be taken to inform owners regarding the expired deposits and will take actions to transfer into revenue in case if they fail to withdraw.

2. Financial Review

2.1 Financial Result

According to the financial statements presented, the revenue exceeded recurrent expenditure of the Sabha was Rs.4,043,938 for the year ended on 31 December 2018 and against to that the recurrent expenditure exceeded revenue in the previous year was Rs.396,368.

2.2 Financial Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue

Details of Estimated Revenue, Billed Revenue, Collected Revenue and Outstanding Revenue for the year under review and the previous year are given below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected revenue	Outstanding as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Outstanding as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and taxes	8,848,000	4,464,300	2,984,750	4,817,677	6,250,000	4,424,540	3,377,020	3,338,127
Rent	8,415,000	5,134,940	5,159,570	3,250,566	5,125,000	3,069,750	3,039,020	3,275,196
License fees	1,025,000	827,150	827,150	-	1,525,000	648,700	648,700	-
Other Revenue	13,025,000	12,784,869	12,618,037	3,344,790	8,500,000	7,604,681	7,277,198	3,177,958

2.2.2 Performance of collection of revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 21,589,507 had been recovered in the year under review out of Rs. 33,002,540 which is the revenue to be recovered up to 31 December 2018. Therefore, the progress of the revenue collection was 65%.	Actions should be taken to improve revenue collection.	Not commented.

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
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A sum of Rs. 4,817,677 relating to outstanding rate taxes up to the year 2018 had not been recovered and a time analysis in this regard had not been submitted to audit.	Actions should be taken to recover outstanding rate taxes of Rs. 4,817,677.	Actions will be taken to recover the outstanding rate taxes.

2.2.4 Rentals

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Outstanding lease rent of meat stalls from the year 1980 to the year 2012 valued at Rs. 3,173,466 had not been recovered up to the year under review.	Actions should be taken either to recover outstanding meat stall lease rent or to properly write off.	Although letters were sent to the lessees with outstanding meat stall lease rent, the relevant personals had been dead or had obtained the lease by presenting inaccurate addresses. Therefore, actions will be taken by the council to write off the outstanding.

2.2.5 Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Actions had not been taken to recover the stamp fees of the years 2017 and 2018 valued at Rs. 10,786,740 and Rs. 9,528,100 respectively from the Register General. And also, actions had not been taken to calculate and recover the additional stamp fees recovered directly or mobile services by the Eastern Provincial Income Tax Department in the years 2017 and 2018 in the occasions of transferring immovable properties in the Pradeshiya Sabha jurisdiction.</p>	<p>Actions should be taken to obtain appropriate information and recover the relevant stamp fees.</p>	<p>The receivable amount by the council can be applied based on the copies of information and quantity provided by the Department of Land Registry.</p>

2.2.6 Taxes on selling immovable properties

Audit Observation	Recommendation	Comments of the Accounting Officer
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<p>Actions had not been taken to recover a sum of Rs. 3,783,450 as the tax of 1 per cent of the revenue generated by selling 1,150 immovable properties amounting to Rs. 378,345,000 relating to the period from January to December 2017 as per section 154 of Pradeshiya Sabha Act No.15 of 1987.</p>	<p>Actions should be taken by identifying methods of revenue generation as per the Pradeshiya Sabha Act No.15 of 1987.</p>	<p>A one per cent of the property value is recovered as tax on selling of immovable properties in our area. Actions will be taken to recover the tax amount in selling and buying of immovable properties.</p>

3. Operational Review

3.1 Performance

According to the section 3 of Pradeshiya Sabha Act, the following matters were revealed relating to formulation and regulating public health, public utility service and roads and wellbeing of the people, convenience and welfare which should be full filled by the Sabha.

(a) Bylaws

Audit Observation

Although bylaws should be prepared and implemented on 20 main matters on Revenues and Regularization of the Pradeshiya Sabha according to section 126 of Pradeshiya Sabha act No. 15 of 1987, bylaws had not been prepared on 14 matters even up to 31 December 2018.

Recommendation

Bylaws should be prepared and implemented by obtaining approval on main matters.

Comments of the
Accounting Officer

Bylaws are imposed on other matters.

(b) Action Plan

Audit Observation

An Annual action plan had not been prepared on the activities that should be carried out by the council according to six imposed bylaws.

Recommendation

Action plan should be prepared regarding the activities that need to be implemented according to the bylaws.

Comments of the
Accounting Officer

Projects will be prepared according to the imposed bylaws.

(c) Solid waste management

Audit Observation

A number of 3,351 bags had not been issued to the public out of the 10,000 bags which had been bought incurring Rs. 385,000 for 5,000 families to collect categorized garbage under solid waste management, and the collected garbage had been disposed without categorizing and recycling.

Recommendation

Actions should be taken to properly recycle the collected solid waste.

Comments of the
Accounting Officer

The categorization was done regarding the solid waste in the beginning, and it was unable to implement this due to harassments of wild elephants.

(d) Sustainable Development goals

Audit Observation

According to the Sri Lanka Sustainable Development Act No 19 of 2017, Every public institution should act according to the 2030 Agenda of the United Nations. However,

Recommendation

Actions should be taken to identify goals and to identify indicators to measure

Comments of the
Accounting Officer

Actions will be taken to regularize the council activities according to sustainable development

actions had not been taken by the Sabha to identify and achieve the goals in this regard. them and actions should be taken to achieve them.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken to transfer the ownership of the lands where the office building, public library, public fare, public playgrounds, parks and slaughterhouse are located, to the name of the council.	Actions should be taken to transfer the ownership to the name of the council.	Necessary actions will be taken.
(b) Actions had not been taken to transfer the ownership of 05 motor vehicles and machinery which are being used by the council, to the name of the council.	Actions should be taken to transfer the ownership to the name of the council.	Necessary actions will be taken.
(c) Management committee record book had not been submitted to audit and, the total value of expenditures from January 2018 to March amounting to Rs. 10,552,014 had not been approved by the management committee.	Management committee record book should be presented to audit and actions should be taken to obtain the relevant approval.	Not commented
(d) Although fingerprint machines should be used to verify arrival and departure of the officials according to the Public Administration Circular dated 19th April 2017 and 03/2017, fingerprint machines had not been used in the period of time from 01 August 2019 to 15 May 2019.	Actions should be taken according to the relevant circular.	Actions will be taken to re-activate the fingerprint machine.

3.3 Human Resources Management

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Actions had not been taken to fill nine positions of the Sabha according to the list of employees which had been approved by the Department of Management Services.	Actions should be taken to fill the vacancies according to the necessities.	It was requested to send the required staff for the vacancies from the Provincial Public Service Commission

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| (b) | There had been a shortage of staff for cleaning and sanitizing the toilets and health matters because of the sanitary labourer who was released on 01 September 2015 from the council to the local government office in Ampara had not returned until now. | Actions should be taken to recover the sanitary labourer who was released temporarily. | Not commented. |
| (c) | An outstanding amount of Rs. 104,918 which should be recovered from 24 transferred and vacated the employees had remained unrecovered and had been shown continuously in financial statements for a period exceeding 11 years. | Actions should be taken to recover Government servant outstanding loan balances. | Actions will be taken to recover outstanding loan balances. |

3.4 Operating inefficiencies

Audit Observation

Although there had been 14,563 residents in the council jurisdiction, K forms had been handed over to only 487 houses to recover rate taxes for the year 2018 according to section 138(2) of Pradeshiya Sabha Act No. 15 of 1987. And also, K forms had been distributed to only 05 per cent of the residents in the previous 05 years.

Recommendation

Full rate taxes should be recovered by distributing K forms to the residents of the jurisdiction of the Sabha.

Comments of the Accounting Officer

Although actions were taken to appoint negotiators to recover the loans, a delay had occurred due to lack of staff. Actions will be taken to distribute K forms to all the residents.

3.5 Assets Management

Assets not being registered

Audit Observation

Although it was shown in the accounts as a collective value of lands and buildings of the council as Rs. 184,416,846 up to the end of the year under review, actions had not been taken by the council to show under movable and immovable assets in the fixed assets register.

Recommendation

Actions should be taken to show movable and immovable assets in the fixed assets register

Comments of the Accounting Officer

Although a fixed assets register had been in use, continuous recordings had not been done. Actions will be taken to rectify in the future.

3.6 Procurement

3.6.1 Procurement Plan

Audit Observation

A procurement plan had not been prepared.

Recommendation

A procurement plan should be prepared by the Sabha in the coming year.

Comments of the Accounting Officer

There are a few difficulties in preparing a procurement plan. Emergency purchases are carried out frequently by the Sabha. Actions will be taken to prepare in the future.

3.6.2 Contract Administration

Audit Observation

- (a) According to the section 3.9.1 of the procurement manual, even though it had been mentioned that, out of the contracts awarded to community based organization, the value of contracts which had not been completed together with the value which had been expected to award should not exceed Rs. 2 million. However it had been awarded at Rs. 4 million.
- (b) Although the contract on filling gravel on the Attappallama Muslim Cemetery had been completed for a value of Rs. 798,395 on 12 December 2018, the gravel soil had been laid without arranging or flattening even up to 22 May 2019.
- (c) Although the contract on the building at Ninthavur 06 leisure area had been completed on 20 December 2018 for a value of Rs. 1,193,805, the laid soil had sunk and the foundation had cracked.

Recommendation

Actions should be taken to award contracts according to the conditions in the procurement guide.

Actions should be taken to prepare gravel properly.

Necessary actions had not been taken even though the sides of the staircase had cracked.

Comments of the Accounting Officer

Actions had to be taken in this way due to the emergency of the work. Actions will be taken accordingly in future.

Actions will be taken to flatten the gravel in the cemetery.

Not commented.

4 Accountability and Good governance

4.1 Internal Auditing

Audit Observation

Recommendation

Comments of the Accounting Officer

An internal audit had not been carried out in the council in the year under review.

Internal audit should be carried out in the council

Not commented.

4.2 Audit and Management Committees.

Audit Observation

Recommendation

Comments of the Accounting Officer

Audit and Management committees had not been established and no meetings had been held in the year under review.

Actions should be taken to establish Audit and Management Committees and to hold committee meetings.

Not commented.

4.3 Unresolved Audit Observations

Audit Observation

Recommendation

Comments of the Accounting Officer

- (a) Actions had not been taken either to recover an outstanding rental of Rs. 530,820 receivable for renting the JCB machine of the Sabha to the persons for external work from the year 2012 up to the year under review or to take legal actions against them.

Actions should be taken either to recover the receivable rent or to take legal actions against the relevant personals.

Not commented.

- (b) Although it had been certified by the technical officer that the work regarding the contract of laying grass in the children's park and the vehicle yard under the programme of strengthening the Pradeshiya Sabha in 2016 had been finished, the said contract had not been started and a sum of Rs. 18,900 had been paid as labor charges.

Actions should be taken to recover the paid amount from the relevant personals regarding the payments that were made although the work had not been started.

Not commented.