

Nivithigala Pradeshiya Sabha
Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 12 March 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 27 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the 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 Nivithigala 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

Audit observation -----	Recommendation -----	Comment of the Accounting Officer -----
(a) During the year under review purchased total Rs. 374,000 of fixed assets had not been capitalized.	Accounts should be corrected by making the necessary adjustments.	Mistake. Made a note of corrections in the preparation of the 2019 accounts.
(b) During the year under review and last year, the administrative expenses Rs. 129,614 incurred in respect of the 14 industries which were implemented had not been accounted.	Accounts should be corrected by making the necessary adjustments.	Made notes for the 2019 accounting process through journal entries.
(c) There was a difference of Rs. 13,090,495 between the balances of the financial statement and the balances of the supporting documents as at the end of the year under review for the six accounting subjects.	The value of the financial statements and related supporting documents should be the same.	Action will be taken to correct this in the future.
(d) Due to lack of necessary information, two account subjects totaling Rs. 1,258,163 could not be satisfactorily verified in the audit.	The balance of accounts shown in the financial statements should be presented with corroborative evidence.	Answers not given.

1.4 Non-compliance

Non-compliance with laws, rules, regulations and management decisions

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Financial Regulation 571 of the Democratic Socialist Republic of Sri Lanka	Action had not been taken regarding the deposits amounting to Rs. 721,368 related from year 2014 to 2016.	Financial regulations must be followed with regard to lapsed deposits.	In the year 2019, action will be taken to collect the lapsed deposits in the General Deposit Account into the income of the Council. It has been presented to the Council.
(b) Section 1.10 of the Local Government Commissioner's Circular No. 01/2009 and dated 09 March 2009	The council had not dealt with the interim lease of shops.	Must act according to the circular instructions.	The shop owner has been informed of this on 18 September 2018.
(c) 8.12.1 (B) of the Procurement Guidelines.	Two computers, a laptop, 50 street lamps and 120 meters of water worth of Rs. 667,000 had been purchased without verifying compliance with the specifications.	Shall comply with the Procurement Manual.	Independent inspection will be carry out of all purchased items and afterwards, all items purchased will be inspected independently.

2. Financial - Review

2.1 Financial Result

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.9,855,332 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.9,650,864.

2.2 Revenue Administration

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

The information relating to the estimated revenue, billed revenue, collected revenue and the arrears of revenue, furnished for the year under review and for the preceding year appears below.

Source of Revenue	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	3,168,296	3,279,385	3,384,786	1,340,102	3,122,403	3,043,121	3,138,589	1,402,095
(ii) Rent	4,399,800	5,553,416	5,568,416	90,950	4,165,100	4,097,000	4,053,050	105,950
(iii) License fee	538,300	479,696	483,196	1,500	406,900	380,210	376,710	5,000
(iv) Other Revenue	12,396,250	18,427,938	17,026,489	15,433,247	14,435,800	14,977,031	10,213,649	14,157,014

2.2.2 Rates and Taxes

	Audit observation	Recommendation	Comment of the Accounting Officer
(a)	There was a deficit of Rs.565,353 with respect to 206 units which had been in existence for more than five years in the balance of arrears amounting to Rs. 1,159,990 at the end of the year under review. The functioning of the council was poor in recovering these deficit assessments.	A systematic program to collect arrears income should be planned and implemented.	Officers have been directed to collect arrears and conduct an on-site inspection of unpaid property. Also, targets have been set for recovery of arrears and as one day per quarter is used to ban property.
(b)	At the end of the year under review, balances of Rs. 113,578 arrears of acreage tax included Rs. 70,821 balances older than five years, but the follow-up process for recovery of arrears of acreage tax was poor.	A systematic program to collect arrears incomes should be planned and implemented.	Land holders who pay documented acreage tax have avoided paying the acreage tax due to the sale or partition of land. Action will be taken to conduct an Accelerated Tax Inspection in the next two months of this year.

2.2.3 Rent

Audit observation	Recommendation	Comment of the Accounting Officer
Although, the property should be assessed once in every five years, 13 shops in the new Nivithigala shopping complex belonging to the council had not been re-assessed since 2004.	The property should be assessed once in five years and collected new revenue.	Articles have been prepared for re-shop assessment as per standard no. 05: 01: xiv of the monthly meeting of 7th September 2018 and sent to the Department of Valuation on 18th October 2018.

2.2.4 License fees

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The firm to be issued trade licenses in the Council Area had not been identified and in the year under review, 166 firms, including the food and beverage industry have paid fees for obtaining trade licenses, but only 32 institutions have been issued licenses due to delays in issuing Medical officer of Health recommendations.	A program must be designed and implemented so that all firms which should be obtained license to issue formal licenses.	Applications for the issuance of trade licenses for the year 2019 have been forwarded to the office of the Medical Officer of Health (MOH) but they have not been able to issue Trade Licensees as they have not received any medical recommendations. A program has been formulated to inspect trade bodies within the respective domains in consultation with the Health Medical Officers. This can be rectified in the future.
(b) As the Council had not recognized the firms which should issue trade license to operate in accordance with the National Environment Act No. 47 of 1980 and the regulations there under as amended by Act No. 56 of 1988 and Act No. 53 of 2000 proper course of action could not be taken in regard to environmental protection in the area.	Licensing institutions should be identified and action should be taken to issue Environmental Licenses.	The Environmental Protection License has been issued to four out of the five industries which have been shown so far. Instructions had been given to make shortcomings in the field visit of another industry.

2.2.5 Other Revenue

Audit observation	Recommendation	Comment of the Accounting Officer
Rs. 96,680 to be recovered for the billboards displayed in the Council area had not been recovered by the end of the year under review.	Action should be taken to recover the arrears.	According to the survey, the relevant institutions have been asked to make payments. As there are two revenue inspectors in the council, they have been advised to act promptly.

2.2.6 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
The court fines receivable from chief secretary of the provincial council and other authorities on 31 December 2018 amounted to Rs. 3,376,500 and the stamp duty receivable for the year 2016 was Rs. 11,843,922. Stamp Duty Receivables for 2017 and 2018 have not been identified as of February 2019.	It is necessary to collect the revenue which is due to the council.	The court fines due by December 31, 2018 have already been prepared and forwarded to the provincial council. Since, the officers of the council are not permitted to prepare the Stamp Duty Schedule for 2017 and 2018 the stamp fees of each year cannot be identified.

3. Operational review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

(a) Action plan

Audit observation	Recommendation	Comment of the Accounting Officer
An annual action plan had not been prepared for the year under review.	An annual action plan should be prepared.	The action plan for 2018 has been prepared, but has not been submitted to the audit.

(b) Sustainable Development Goals

Audit observation	Recommendation	Comment of the Accounting Officer
Although the Council is aware of the Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people of the council area have not been prepared by December 2018.	The Sustainable Development Goals should be properly identified and long term plans should be prepared.	I will prepare and submit to the audit in the future.

3.2 Operating inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
(a) The water consumers had to remove the water meter due to the dilapidation of the water meter installed by the relevant union, without using a water filter developed by the council to provide clean drinking water to the residents of the area.	Follow up on project objectives.	A special meeting was held on the 29th of December 2018 with the participation of the water users and the union announced the agreement to clean the water again using a water filter.
(b) The purpose of installing the water meter was unable to achieve due to the removal of the water meter by the water consumers and the cost of purchasing the water meter was Rs. 306,100 were also futile.	Follow up on project objectives.	Water users have installed the meter and declared their willingness to use the water, but they have refused to pay the local council fees. The issue will be resolved in the future.

3.3 Informal transactions

Audit observation	Recommendation	Comment of the Accounting Officer
The Provincial Council had refused to settle the bills as another road had been developed from the provincial council allocations received in 2010 for the concreting of Hangamuwa Labuwatta Temple road. A sum of Rs. 200,000 which was paid as advance for the works had not been recovered by the end of the year under review.	Proper project supervision must be carried out, an investigation should be made and those responsible should be corrected.	The contract for the Hangamuwa Labuwatta temple road which was functioning under provincial council grants in year 2010 was signed with the contractor and the road has been contracted. After the development of the road it has been revealed that not the allocated road but another road has been developed. Therefore, the advance payment has not been made.

3.4 Procurement

Contract administration

Audit observation	Recommendation	Comment of the Accounting Officer
<p>At the site inspection with the technical officer of the Council on October 4, 2018, it was observed that along the developed road from South Dellabada to North Dellabadda which the value of the work was Rs.1,724,692 and completed on 6th December 2017 the stones have been found in many places and its finishing is not satisfactory, the thickness of the concrete layer is poor and the concrete mixture has a high sand concentration. The letter of the Secretary of the Council dated 10th May, 2019 states that these fault will be rectified using the retention money.</p>	<p>The industry standard should be checked and any fault should be corrected before the retention is paid.</p>	<p>The retention of this project has not paid, prior to the payment action will be taken to completely demolish and rebuild the places where the stones were found along the road.</p>

4. Accountability and good governance

4.1 Budgetary control

The Council has failed to utilize the annual budget as a financial control mechanism due to the following matters:

Audit observation	Recommendation	Comment of the Accounting Officer
(a) In the year under review total of Rs. 6,780,951 provisions with respect to eleven expenditure headings had been remained.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	As some of the estimated tasks were not implemented during the year provisions have been remained.
(b) From the total allocation of Rs. 20,451,211 for the four subjects under review in the year under review, a percentage of 87 percent to 95 percent had been remained.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	As some of the estimated tasks were not implemented during the year provisions have been remained.

4.2 Audit and Management Committees

Audit observation	Recommendation	Comment of the Accounting Officer
Steps have not been taken to establish and implement the Audit and Management Committees.	Audit and Management Committees should be established and implemented.	Take corrective measures in the future as shown.