

Nuwaragampalatha Central Pradeshiya Sabha
Anuradhapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to the Audit on 21 February 2020. The summary report of the Auditor General relating to those financial statements, and the detailed management audit report had been submitted to the Chairman on 09 June 2020 and 04 September 2020 respectively .

1.2 Qualified Opinion

In my opinion, except for the effect of the matters described in paragraph “Basis for qualified Opinion” of this report, the financial statements give a true and fair view of the financial position of the Nuwaragampalatha Central Pradeshiya Sabha as at 31 December 2019 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 Observation	Recommendation	Comment of the Accounting Officer
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(i) The billed garbage tax revenue of Rs. 425,200 had been accounted for as Rs. 340,300 during the year under review and therefore, Rs. 84,900 had been understated.	Billed revenue for the year should be identified and accounted for.	As the contract has been signed since June 2019, the value has been given from the date of signing the contract without stating the amount due for the year as per the document.
(ii) The amount of Rs. 60,000 received for the use of the road had been stated as general deposit.	All income for the year should be identified and accounted for.	Since the amount of Rs. 60,000 received for the transportation of gravel has been credited to the general deposit account by mistake, action will be taken to correct it.

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| (iii) | Stationery consumption costs amounting to Rs. 513,908 had been adjusted to the Accumulated Fund. | Expenditure for the year should be adjusted to the income for the year. | Agree. It is stated that action will be taken to make an accurate account in the coming year. |
| (iv) | The income of Rs. 255,035 earned in the last 03 years had been stated in the deposit account. | Revenue from previous years should be identified and accurately stated in the financial statements. | Agree. |
| (v) | Arrears of lease rent of the meat stall amounting to Rs. 38,400 had not been offset from the deposit of Rs. 50,000 and stated in the financial statements. | Arrangements should be made to set off the arrears from the deposit. | Agree. |
| (vi) | The amount of Rs. 2,874,620 due to be settled for the Pura Neguma project had not been stated in the financial statements. | All liabilities should be stated in the financial statements. | Action will be taken to accurately account for the liabilities of 2,874,628 to be settled for the Pura Neguma project. |
| (vii) | The stamp duty income of Rs. 7,362,000 due for the year 2018 had not been brought to account. | Arrangements should be made to account for all arrears of revenue. | Agree. |

(b) Unreconciled Accounts

----- Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
(i) Although the outstanding stamp duty value amounted to Rs. 24,351,268 according to the financial statements as at 31 December of the year under review, the value as per the document on that day was Rs. 15,451,268, thus resulting in a difference of Rs. 8,900,000.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Agree.
(ii) According to the financial statements as at 31 December of the year under review, the loan value of the Local Loan and Development Fund was Rs. 2,737,082, but it was Rs.	Action should be taken to correct the accounts by reconciling the	Due to an error in balancing the Local Loan Development Fund account, that balance has been shown with a

2,237,082 according to the balance differences in the shortfall of Rs. 500,000 and the value of Rs. 2,237,082 confirmation as at that date, thus observing a relevant balances. stated in the balance difference of Rs. 500,000. the correct value.

(c) Accounts Receivable

Audit Observation	Recommendation	Comment of the Accounting Officer
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Eight account balances amounting to Rs.1,695,097 due on 31 December of the year under review had been in existence for more than 06 years.	Action should be taken to recover the balances due.	Action will be taken to correct it in the preparation of final account for the ensuing year.

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
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Evidence had not been submitted in relation to 05 items of accounts valued at Rs. 67,769,536.	Evidence confirming the account balance shown in the financial statements should be furnished.	Agree

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations, and Management Decisions	Value	Non-compliance	Recommendation	Comment of the Accounting Officer
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	Rs.			
(i) Public Service Provident Fund Act No. 17 of 2003	480,787	Contributions to the Fund have not been remitted since February 2019.	Action should be taken in accordance with the Public Service Provident Fund Act No. 17 of 2003.	Agree.

(ii)	Section 2: 1 of the Chapter 2003 of Motor Traffic Act	-	Two tractors, two trailers and two bowsers had been used without registration.	Action should be taken in accordance with the Act.	Necessary steps are being taken to register the unregistered vehicles.
(iii)	Stamp Duty (Special Provisions) Act No. 12 of 2006	65,675	The stamp duty charged by the Sabha had not been remitted to the Commissioner General of Inland Revenue.	Action should be taken in accordance with the Act.	It is stated that action will be taken to make remittance to the Commissioner General of Inland Revenue.

1.5 Transactions not supported by adequate authority

Audit Observation

The arrears of revenue due to the Sabha amounting to Rs. 9,341,094 had been written off without formal approval according to Section 182 of the Pradeshiya Sabha Act No. 15 of 1987. Adequate evidence to substantiate these writing off had also not been presented.

Recommendation

According to Section 182 of the Pradeshiya Sabha Act No. 15 of 1987, the writing off should be done with a formal approval.

Comment of the Accounting Officer

These balances have been rectified after obtaining the approval of the General Assembly to rectify the arrears as it was found in examining the arrears of income that these figures existing from previous years continued due to accounting deficiencies.

02. Financial Review

2.1 Financial Results

According to the financial statements presented, the revenue of the Sabha in excess of the recurrent expenditure amounted to Rs. 8,882,652 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 6,578,175 for the preceding year.

2.2 Financial Control

Audit Observation

In December of the year under review, Rs. 2,400,000 had been transferred from the cash account of the Pura Neguma project to the general expenditure account and thereby the expenses of the Sabha had been borne.

Recommendation

The funds of the Pura Neguma project should be spent only for the relevant purpose.

Comment of the Accounting Officer

At present Rs. 2,400,000 has been re-deposited in the Pura Neguma account.

2.2 Revenue Administration

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

Details on the Estimated Revenue, Billed Revenue, Collected Revenue, and Outstanding Revenue presented for the year under review and the preceding year are as follows.

Source of Revenue	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears at at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Tax	519,800	340,300	327,900	12,400	480,000	337,930	337,930	2,113,950
(ii) Lease Rent	4,871,313	4,806,790	4,649,323	157,467	5,533,525	3,771,743	3,690,701	1,308,382
(iii) Licence Fees	209,550	307,300	307,300	-	1,982,680	1,083,408	1,083,408	-
(iv) Other Income	50,202,112	41,379,499	36,153,590	5,225,909	8,000,000	10,286,746	5,444,997	20,277,231
	55,802,775	46,833,889	41,438,113	5,395,776	15,996,205	15,479,827	10,557,036	23,699,563

2.3.2 Rates and Taxes

Audit Observation

According to Section 134 of the Pradeshiya Sabha Act, no rates had been levied on property in the developed areas of the Pradeshiya Sabha.

Recommendation

Action should be taken to recover revenue by imposing rates.

Comment of the Accounting Officer

The area designated as a developed area has been submitted to the Local Government Department along with the map and boundary schedule.

2.3.3 Lease Rent

Audit Observation

The outstanding stall rent balance of Rs. 426,127 which had been in existence for a period of 2-6 years from 10 shops in the Pandulagama Model Village had not been recovered.

Recommendation

Outstanding rent should be recovered.

Comment of the Accounting Officer

Since the National Housing Development Authority (NHDA) had sent written notice stating the ownership, relevant arrears could not be recovered. In this regard, on the instructions of the Department of Local Government, this matter has been brought to the notice of His Excellency the President to hand over the premises of the shops in Pandulagama to the Nuwaragampalatha Central Pradeshiya Sabha.

2.3.4 Court Fines and Stamp Duty

Audit Observation

The court fine and stamp duty due on 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.2,559,333 and Rs.24,351,268 respectively.

Recommendation

Action should be taken to settle stamp duty and court fines.

Comment of the Accounting Officer

Action will be taken to recover the recoverable court fines and stamp duty.

3. Operating Review

3.1 Performance

Matters revealed in the regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people in terms of Section 3 of the Pradeshiya Sabhas Act, are as follows.

(a)	<p>By-laws</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>Although by-laws have to be enacted under Section 126 of the Pradeshiya Sabha Act to fulfill 28 key functions, by-laws had not been enacted even by 31 December 2019.</p>	<p>Recommendation</p> <p>-----</p> <p>By-laws should be enacted.</p>	<p>Comment of the Accounting Officer</p> <p>-----</p> <p>It is informed that arrangements are underway for the enactment of by-laws.</p>
(b)	<p>Action Plan</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>The Sabha had not prepared an annual action plan for the functions to be performed.</p>	<p>Recommendation</p> <p>-----</p> <p>An annual action plan should be prepared.</p>	<p>Comment of the Accounting Officer</p> <p>-----</p> <p>It is stated that an action plan for the year 2020 has been prepared.</p>
(d)	<p>Sustainable Development Goals</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p> <p>Measures taken by the Sabha with regard to the Sustainable Development Goals had not been presented for audit.</p>	<p>Recommendation</p> <p>-----</p> <p>Sustainable development goals should be identified and programmes should be implemented accordingly.</p>	<p>Comment of the Accounting Officer</p> <p>-----</p> <p>Action will be taken to identify the Sustainable Development Goals and objectives that are expected to be achieved by 2030 and to implement them by the Sabha in the future.</p>
3.2	<p>Management Inefficiencies</p> <p>-----</p> <p>Audit Observation</p> <p>-----</p>	<p>Recommendation</p> <p>-----</p>	<p>Comment of the Accounting Officer</p> <p>-----</p>
(a)	<p>Employee loans of Rs. 172,682 due from 07 transferred and retired employees had not been recovered for more than 10 years.</p>	<p>Action should be taken to settle the balances.</p>	<p>Arrangements are being made to recover the loan due from the employees who have retired and transferred from the service of the Pradeshiya Sabha.</p>

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| (b) | Arrears of garbage tax revenue of Rs.1,063,950 had not been collected since year 2015. | Action should be taken to recover the arrears of revenue. | It is stated that action will be taken to write off this arrears as there are no reasonable grounds to recover the arrears. |
| (c) | Weekly fair tax revenue of Rs. 47,465 had not been collected for the period from 2015 to 2019. | Action should be taken to recover the arrears of revenue. | Not replied |
| (d) | The arrears of meat stalls leas rent of Rs. 556,520 of Rs. 556,520 continued to exist since a period before 2015 had not recovered. | Action should be taken to recover the arrears of revenue. | Measures are being taken to recover the meat stalls leas rent revenue. |

3.3 Assets Management

3.3.1 Idle and Underutilized Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) Thirteen motor vehicles valued at Rs. 10,405,318 remained idle for a period of 02 to 05 years.	Action should be taken to repair or dispose of vehicles.	Action will be taken to take appropriate measures in respect of the unusable vehicles at the 2020 Board of Survey.
(b) Land, buildings, constructions and equipment valued at Rs. 26,810,000 remained idle.	Assets owned by the Sabha should be used effectively.	Agree