

Nuwaragampalatha Esat 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 28 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 03 September 2020 and 18 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 East 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) Expenditure of Rs. 3,476,404 incurred during the year under review on 05 property constructions and renovations had not been capitalized.	Action should be taken to capitalize all capital expenditure.	Agree.
(ii) Although property lease income at 48 locations during the year under review amounted to Rs. 1,448,635, it had been overstated by Rs. 840,914 as it was stated as Rs. 2,289,549 in the financial statements.	Revenue should be identified correctly.	Not commented.

(b) Unreconciled Accounts

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
The value of 04 account balances amounting to Rs. 44,703,832 according to financial statements had been shown as Rs. 45,481,487 as per the schedules and as such, there was a difference totalling Rs. 1,492,343.	Action should be taken to correct the accounts by reconciling the differences in the relevant balances.	Action will be taken to look for discrepancies and to correct them.

(c) Accounts Receivable and Payable

(i) Accounts Receivable

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
There were 17 industrial debtors balances of Rs. 1,146,420 that remained unrecovered for more than 5 years.	Action should be taken to recover the balances receivable	Agree..

(ii) Accounts Payable

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|--|--|---|
| <ul style="list-style-type: none">• The Pura Neguma creditors balance which had not been settled for more than 05 years amounted to Rs. 1,324,936. | Action should be taken to settle the balances payable. | Agree. |
| <ul style="list-style-type: none">• The value of the stamp duty collected by the Sabha and withheld without remittance to the Inland Revenue Department was Rs. 2,089,544. | Action should be taken to settle the balances payable. | Agree. |
| <ul style="list-style-type: none">• The value of pension gratuity payable to the Department of Pensions was Rs. 913,519 as at 31 December of the year under review. | Action should be taken to settle the balances payable. | Details on the value of pension gratuity have been requested from the Department Pensions |

(d) Lack of Necessary Documentary Evidence for Audit

Audit Observation	Recommendation	Comment of the Accounting Officer
No credible evidence had been presented in respect of 19 items of accounts amounting to Rs. 182,715,506.	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	Non-compliance	Recommendation	Comment of the Accounting Officer
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka F.R 571 (ii)	Action had not been taken on deposits exceeding 02 years amounting to Rs. 80,500.	Action should be taken in terms of Financial Regulation 571 (ii)	The lapsed deposit holders have been informed to withdraw such deposits. Action will be taken to credit it to the income within the next 02 weeks.
(b) Pradeshiya Sabhas (Financial and Administrative) Rules, 1988 Rule 5.11 of Chapter One	No insurance coverage had been obtained for cash in transits and other valuables owned by the Sabha.	Action should be taken in terms of the Rules.	Action will be taken to obtain insurance coverage for cash in transits and other valuables owned by the Sabha..

- (c) Ministry of Local Government Reform Circular No. PL/07/01/53 dated 14 November 2006

Paragraph 2.2(iii) in No.06

The road maintenance system which was continuously in operation had not been followed. The roads belonging to the Sabha had not been gazetted and the maximum load that could be carried had not been displayed.

Action should be taken in accordance with the relevant circulars.

Roads proposed by village committees are developed. Since a high cost has to be incurred for drawing maps, this work has been delayed.

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. 7,330,206 for the year ended 31 December 2019 as compared with the corresponding revenue in excess of the recurrent expenditure amounting to Rs. 7,269,619 for the preceding year.

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) Business and Industry tax	4,035,825	2,408,210	1,694,010	714,200	1,550,000	1,985,775	1,985,775	-
(ii) Stall Rent	21,493,865	3,464,747	3,094,283	441,149	426,700	387,000	316,315	70,685
(iii) Licence Fees	1,228,000	1,172,654	899,629	273,025	100,000	296,236	296,236	-
(iv) Other Income	13,812,270	10,265,602	6,806,595	4,059,007	3,600,000	3,600,000	3,000,000	600,000
Total	40,569,960	17,311,213	12,494,517	5,487,381	5,676,700	6,269,011	5,598,326	670,685

2.2.2 Court Fines and Stamp Duty

Audit Observation

Recommendation

Comment of the Accounting Officer

The court fine and the stamp duty due from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 was Rs.4,059,007 and Rs. 32,630,760 respectively.

Action should be taken to recover the revenue due.

Action has been taken to recover Rs. 1,576,187 from the arrears of court fines as at 31.12.2019 in the year 2020. Requests have been made to recover the remaining amount.

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) By-laws

Audit Observation

Recommendation

Comment of the Accounting Officer

Even though By-laws should be imposed as per Section 126 of the Pradeshiya Sabha Act to perform 28 key activities, by-laws had not been so imposed for relevant matters by 31 December 2019.

Action should be taken to impose by-laws as per Section 126 of the Pradeshiya Sabha Act

This Sabha has adopted 42 By-Laws enacted by the Ministry of Local Government and 10 By-Laws enacted by the Minister in charge of Local Government, North Central Province.

(b) Failure to Achieve the Expected Output Level

Audit Observation

Recommendation

Comment of the Accounting Officer

The physical progress of 09 projects, the estimated value of which was Rs 4,504,254 and implemented as at 31 December of the year under review ranged from 40 percent to 85 percent.

Maximum physical progress should be achieved during the year.

These projects are contracted projects in the months of November and December. Due to the rains experienced in November and December 2019, the expected output of these projects could not be achieved.

(c) Solid Waste Management

Audit Observation

Recommendation

Comment of the Accounting
Officer

Although a waste management center has been set up in the Kirikkulama area, no garbage collection process has been carried out.

Proper arrangements should be made for waste management.

Garbage collection has been temporarily suspended until the garbage recycling center is formalized.

3.2 Assets Management

Idle/Underutilized Assets

Audit Observation

Recommendation

Comment of the Accounting
Officer

No action had been taken to dispose of two vehicles worth Rs. 2,619,050 that had been recommended unfit for use.

Unusable vehicles should be disposed of.

Action will be taken to dispose of the vehicle once the assessed value is received.

3.3 Identified Losses

Audit Observation

Recommendation

Comment of the Accounting
Officer

Due to non-payment of installments of the loan obtained from the Local Credit and Development Fund on time, a sum of Rs. 38,609 had been paid as late fee.

Loan installments and interest should be paid on time.

The revenue generated by the Sabha was inadequate to maintain its administrative activities by the end of 2018. As a result, loan repayments were delayed.

04. Accountability and Good Governance

4.1 Internal Audit

Audit Observation

Recommendation

Comment of the Accounting Officer

An Internal Auditor who is directly responsible had not been appointed under paragraph 06 of Circular No.04/2015 dated 18 March 2015 of the Commissioner of Local Government, North Central Province.

Action should be taken as per the circular to appoint a directly responsible Internal Auditor and to obtain reports.

An Internal Audit Officer had been appointed. The officer is on maternity leave. Her subject has been assigned to the Chief Management Assistant.

4.2 Implementation of Audit and Management Committee

Audit Observation

Recommendation

Comment of the Accounting Officer

No Audit and Management Committee meetings had been held for the year under review as per the Management and Audit Circular No. DMA / 2009 (1) (i) dated 28 January 2016.

Steps should be taken in accordance with the circular.

Arrangements have been made to hold the Audit Management Committees in the year 2020 at the Sabha level.