

Naula Pradeshiya Sabha

Matale District

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1. Financial Statements

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1.1 Presentation of The Financial Statements

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The financial statements for the year 2019 were submitted for audit on 04 May 2020 and the Auditor General's summary report and detailed management audit report on those financial statements were sent to the Chairman on 31 May 2020.

1.2 The Qualified Opinion

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I am in an opinion that, except the effect on the financial statements of the matters referred under the section of the basis for a qualified opinion in this report, the financial statements had been prepared in accordance with generally accepted accounting principles and give a true and fair view of the financial position of the Naula Pradeshiya Sabha as at 31 December 2019 and financial results of its operations for the year then ended.

1.3 The basis for a Qualified opinion

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1.3.1 Accounting deficiencies

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Audit observation	Recommendation	Accounting Officer's Commentary
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(a) The value of two development projects amounting to Rs. 821,907 which had contracts cancelled during the year under review had been accounted for under creditors.	Account balance should be corrected.	I accept the observation.
(b) Capital expenditure of Rs.9,010,102 was accounted for under recurrent expenditure.	Should be accounted for under capital expenditure.	I accept the observation. Provisions received in the form of recurrences were used for road repairs.
(c) Capital Assistance Rs. 10,275,000 had been stated under Revenue Assistance.	Should be accounted for under capital assistance.	I accept the observation. Provisions received in the form of recurrences were used to repair roads.

(d) Stamp duty was over accounted by an amount of Rs. 1,939,211.	Actions must be taken to account correctly.	I accept the observation. I will take action to correct in the 2020 accounts.
(e) Provisions had not been made for the audit fees relevant to the year under review.	Actions must be taken to account correctly.	I will take action to correct in the 2020 accounts.
(f) A court fine of Rs. 26,875 received in the year 2018 was stated under the debtors.	Actions must be taken to account correctly.	I will take action to correct in the 2020 accounts.

### 1.3.2 Accounts Receivable and Payable

Audit observation	Recommendation	Accounting Officer's Commentary
(a)Accounts Receivable		
The total of 06 account balances over a period of more than 05 years was amounting to Rs.669,633.	Action should be taken to recover the income and money due.	I accept the observation. I will take action to recover in the future.
(b)Accounts Payable		
The total balance of accounts payable for a period of 1 to 5 years was amounting to Rs. 825,147.	Payments must be made in a timely manner	I accept the observation.

1.3.3 Lack of written evidence required for the audit

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Audit observation	Recommendation	Accounting Officer's
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The machinery, equipment and furniture worth Rs.957,380 stated in the account for the period from 1993 to 2010 had not been available in physically.	Goods should be physically identified and surveyed.	I accept the observation. I will be conducting a good survey every year in the future.

1. 4 Non-compliance

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

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References To laws, rules regulations and management decisions	Value	Non-compliance	Recommendation	Accounting Officer's
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	Rs.			
(a) Pradeshiya Sabha Act No. 15 of 1987  Article 24	-	A list of roads and narrow lanes maintained by the Sabha had not been kept up to date.	The relevant document needs to be updated.	I will be updating in stages in the future depending on the cash situation.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules  Rule 218	29,361,722	No annual survey of lands and buildings had been conducted.	Rules must be followed.	I will conduct a survey in the future.

- (c) Rules in the 300,000 Monthly allowances Members' absence The Hon. Chairman  
 Extraordinary were paid to 10 must be notified in has stated his  
 Gazette Notification members who did not writing. absence from the  
 of the Democratic attend the sittings General Assembly  
 Socialist Republic without formal under special  
 of Sri Lanka No. permission. announcements  
 1914/40 dated 15th  
 May 2015,

## 2. Financial Review

### 2.1 Financial Results

According to the presented financial statements, excess of revenue over recurrent expenditure for the year ending 31 December 2019 amounted to Rs.2,703, 627as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs.2,372,332.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Billed Revenue, collected Revenue and arrears Revenue

Details of estimated revenue, billed revenue, collected revenue and arrears of revenue for the year under review are as follows.

Source of revenue	2019				2018			
	Estimated Revenue	billed revenue	Revenue collected	Total arrears as at 31 December	Estimated Revenue	billed revenue	Revenue collected	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	1,787,000	1,621,549	1,339,277	2,416,814	1,787,000	1,655,539	1,488,253	1,571,488
Rent	3,280,000	1,086,700	2,543,305	427,375	2,010,000	892,000	2,182,720	287,295
License fee	1,060,175	-	1,129,565	-	1,010,500	-	1,143,740	-
	13,509,000	978,730	8,504,773	4,595,523	15,253,000	881,046	6,159,743	4,117,463
Other Revenue								
Total	19,636,17	3,686,979	13,516,920	7,439,712	20,060,500	3,428,585	10,974,456	5,976,246

## 2.2.2 Shop rent

Audit observation	Recommendation	Accounting Officer's Commentary
(a) 33 shops had not renewed their assessment agreements after 2013 according to the Central Provincial Commissioner of Local Government Circular No. 2016/3 dated 17th March 2016.	Action should be taken to renew the agreements.	I will take actions to renew the agreements in the future.
(b) Although the interim leased of stalls could not be levied under Section 22 of the stall Lease Agreement, 11 stalls were leased.	Actions should be taken according to the agreement.	It is practically impossible to ascertain whether there is an interim lease and I will look into this in the future
(c) While Sathi Pola No. 10 was used by an outsider for residence for a long time without permission and the rent due was amounting Rs. 82,640.	Legal action should be taken against unauthorized occupants.	. No comments.

## 2.2.3 Court Fines and Stamp Fees

Audit observation	Recommendation	Accounting Officer's Commentary
The court fine amount of Rs. 607,910 and the stamp duty of Rs. 4,671,341 had been remained received from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019.	Action should be taken to bring down the revenue due.	I will take action to bring down the revenue due in the future.

3 Operational review  
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3.1 Performance  
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Following are the observations on the perform the functions of Public Health, the regulation of matters of public utility services and the management of public roads, people in comfort, convenience and welfare of the Council to regulate and administer public health, public utility services and public roads under section 3 of the pradeshliyabha act.

(a) Failure to Obtain the Expected Output Level  
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Audit observation  
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Recommendation  
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Accounting Officer's  
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Commentary  
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Although at least 30% of the recurring income should be used for development activities, only Rs. 900,000 was spent on 03 industries during the year under review.

Recurring income should be used for regional development.

I will work to correct it in the future.

(b) Sustainable Development Goals  
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Audit observation  
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Recommendation  
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Accounting Officer's  
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Commentary  
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Although a sum of Rs. 70,000 had been allocated to achieve the Sustainable Development Goals as per the circular of the Ministry of National Policies and Economic Affairs No. NP / SP /SDG / 17 dated 14th August 2017, the relevant targets had not been identified and a formal plan had not been prepared.

Sustainable development goals need to be identified and implemented.

.I hope to work on the relevant subjects in the year 2020.

### 3.2 Management inefficiencies

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Audit observation	Recommendation	Accounting Officer's Commentary
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(a) A person had settled in a land of the Sabha without permission due to not taking security measures.	Action should be taken to remove unauthorized occupants.	Divisional Secretary has been informed.
(b) During the last 03 years 194 building development applications were received out of which 139 applications were approved. 122 Certificates of Conformity had not been issued for that period.	Issuance of Certificate of Conformity and follow up on unapproved applications.	Letters have been communicated to the parties who have not obtained the certificates of conformity.
(c) Action had been taken to legally acquire the land of 34.42 perches which had been subdivided and sold to the sabha in the year 2006.	The land must be legally acquired.	I accept the observation. I will take actions on this in the future.
(d) The bail deposit of Rs. 31,022 of 6 transferred officers had not been settled.	The bail of the officers who transferred should be released.	I will take actions to release it in the future.
(e) An unpaid amount of Rs. 152,199 was to be recovered from the Sri Lanka Insurance Corporation coming forward from the year 2012.	The amount to be recovered should be recovered and an investigation should be carried out if the file is misplaced.	Since the relevant file is not available in the Sabha, letters should be submitted requesting advice.
(f) Action had not been taken to recover Rs.1,039,680 from the auctioneer for the land of 28.88 perches which should to be given for the public affairs from the land sale which carried out the area of Habaragahamada.	Action should be taken to recover the amount due.	The auctioneer has been informed to pay the relevant amount.

### 3.3 Human Resource Management

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Audit observation  
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Recommendation  
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Accounting Officer's  
Commentary  
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An amount of of Rs. 199,920 had to be received from a former secretary of the Sabha who was sacked in 2012.

Action should be taken to recover the loan balance.

Informed to recover from retirement gratuity.

### 3.4 Operational Inefficiencies

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Audit observation  
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Recommendation  
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Accounting Officer's  
Commentary  
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The Haduwa water project and the Senagama Kinihira Kanda water project which was constructed in 2016 at a cost of Rs. 2,500,000 had become inactive.

Actions should be taken by exploring the potential to meet the drinking water needs of the people.

It has become inactive due to the effects of prolonged drought.

### 3.5 Assets Management

#### 3.5.1 Idle and underutilized assets

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Audit observation  
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Recommendation  
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Accounting Officer's  
Commentary  
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The single drum vibrating machine worth Rs. 7,967,144 has been idle since 2017.

Arrangements should be made to transfer to another institution which having requirements.

No need to deploy this machine.

### 3.5.2 Vehicle utilization

Audit observation	Recommendation	Accounting Officer's Commentary
(a) The accuracy of the relevant journeys to drive 34624 km in the cab used by the Chairman from January to September 2019 and to apply 4263 liters of fuel worth Rs.440,033 had not been confirmed.	The need for duty must be confirmed.	Drivers have been advised as there are ambiguities due to not recording the travel times.
(b) 12 vehicles of the Sabha had run 2226 km and 139 hours of machinery without the certification of the officer using the vehicle and had spent Rs. 74,797 for 714 liters of fuel.	Attention should be paid to the fuel cost incurred for uncertified travel.	It had been unable to confirm track record by mistake.

### 3.6 Informal transactions

Audit observation	Recommendation	Accounting Officer's Commentary
Rs. 951,208 had been deducted from the accounts without proper approval.	Action must be taken to obtain approval.	It had been sent of approval of General Assembly.

### 3.7 Identified Losses

Audit observation	Recommendation	Accounting Officer's Commentary
Action had not been taken to recover the loss of Rs. 118,250 after conducting a formal investigation as per 104 (3) and (4) In connection with the accident that occurred on 30 November 2018 to the JCB machine.	The responsible parties should be identified and the loss should be recovered.	It has been informed that the culprits could not be ascertained from the preliminary investigation and it has been referred to the Assistant Commissioner of Local Government.

### 3.8 Procurement

#### Contract Administration

Audit observation	Recommendation	Accounting Officer's Commentary
(a) Allotment of rooms in the new office building - Rs. 2,185,181		
(i) A work estimate of Rs. 2,494,503 had been prepared for the project again after the transfer of construction and it had not been certified by an engineer.	The recommendation of an engineer should be obtained.	Action has not been taken to obtain the recommendation of an engineer as a service provision.
(ii) An estimate consisting of only three items not prepared by the Technical Officer in the tender documents issued to the suppliers at the time of calling tenders. The technical officer had accepted the bid of Rs. 2,017,200 which had been submitted for an estimate not prepared by the technical officer and the technical officer had again submitted an estimate of Rs. 2,097,880 according to the supplier's estimate.	Procurement instructions should be followed.	Bids are called for considering as a service.
(iii) Rs. 1,400 per sq. ft. has been applied for the use of 4.6 mm glass upstairs and downstairs cladding plate when allocating rooms as per supplier prices, but the top glass with top and bottom cladding plate and the top glass and bottom cladding board and fully cladding board Although the construction was done in 3 ways, the payment was made at the applied price.	Must act in accordance with estimates and under the supervision of technical officers.	There was no loss to the Sabha fund in making the payment.

(b) Construction of Opalgala Drinking Water Project  
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While an advance of Rs. 194,800 had been paid to the Contracting Society for the construction of the Opalgala Drinking Water Project on 22 October 2014 under Section 5.4.4 of the Procurement Guidelines and the construction of the project had been abandoned. The advance had not been settled and had not been disclosed through the accounts

The rules and regulations must be followed and the advances must be settled and disclosed in the accounts.

I will take actions to correct it in the future.