

Nivithigala Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 28 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 30 June 2020.

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 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	<u>Audit Observation</u>	<u>Recommendation</u>	<u>Comments of the Accounting Officer</u>
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(a)	The stamp fees amounting to Rs.13,063,561 and the court fines amounting to Rs.44,197 received relating to the preceding years had been brought to account as the revenue of the year under review.	The revenue relating to the preceding years should be adjusted to the accumulated fund.	That will be rectified and brought to account.
(b)	The capital grants receivables of Rs.299,619 relating to the year under review had been credited to the accumulated fund.	All revenue relating to the year should be correctly identified and brought to account.	Comments not furnished.
(c)	The loan installments of Local Loans Development Fund Account amounting to Rs.347,553 relating to the year under review and the preceding year had been brought to account as capital expenditure.	The expenditure relating to the year and the refunds of loans should be correctly identified and brought to account.	Action will be taken to rectify in preparing accounts for the year 2020.
(d)	The provisions for audit fees payable for the year 2019 had not been made.	The provisions for the payable expenditure relating to the year should be made.	Action will be taken to rectify in preparing accounts for the year 2020.

- (e) A difference of Rs.8,991,162 was shown between the balances as per the financial statements relating to 04 items of accounts and the balances as per subsidiary registers. The balances shown in the financial statements should be reconciled with the subsidiary registers thereon. The relevant differences will be examined and rectified.

1.4 Non-compliances

1.4.1 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 -----	Comments of the Accounting Officer -----
(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 571	The lapsed miscellaneous deposits, tender deposits, and security deposits for contracts and works totalling Rs.1,359,445 had not been identified and settled.	Action should be taken in terms of Financial Regulations.	Action will be taken in terms of Financial Regulations.
(b) Public Administration Circulars			
(i) Circular No.30/2016 dated 29 December 2016. Paragraph 3.1	Fuel consumption tests of 07 motor vehicles of the Sabha had not been conducted properly.	Action should be taken to make repairs promptly and to carry out fuel consumption tests in terms of the Circulars.	The fuel consumption tests of the motor vehicles with the active metres had been carried out properly and the fuel consumption tests of vehicles which metres are inactive are being commenced after fixing the metres.

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| (ii) Circular No.02/2018 dated 24 January 2018. | The performance agreements that should be signed annually for the staff had not been signed. | Action should be taken in terms of the provisions of Circulars. | Action will be taken to sign performance agreements for the year 2020. |
| (c) National Budget Circular No.02/2017 dated 25 July 2017. | Output indicators and main performance indicators relating to the output of institutional role had not been identified. | The respective indicators should be identified in terms of the provisions of circulars. | That will be executed from the year 2020. |
| (d) Local Government Circular No.2018/e – Local Government 01 dated 19 July 2018. | The Sabha had failed to establish required facilities to provide opportunities for applying services through internet for the client. | Action should be taken to provide the facilities in terms of the provisions of Circular. | Action will be taken to improve the prevailing internet facilities. |

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2019 amounted to Rs.12,283,655 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.9,855,332.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the 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	2019				2018			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
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	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	3,489,013	3,269,533	3,381,423	1,214,652	3,168,296	3,279,385	3,384,786	1,340,102
Lease Rent	8,637,500	6,407,890	6,437,990	60,850	4,399,800	5,553,416	5,568,416	90,950
Licence Fees	844,250	605,874	605,874	1,500	538,300	479,696	483,196	1,500
Other Revenue	<u>16,628,975</u>	<u>27,469,093</u>	<u>33,204,463</u>	<u>9,577,545</u>	<u>12,396,250</u>	<u>18,427,938</u>	<u>17,026,489</u>	<u>15,433,247</u>
	<u>29,599,738</u>	<u>37,752,390</u>	<u>43,629,750</u>	<u>10,854,547</u>	<u>20,502,646</u>	<u>27,740,435</u>	<u>26,462,887</u>	<u>16,865,799</u>

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
(a) Rates		
(i) The arrears of rates amounting to Rs.996,275 as at the end of the year under review had included a sum of Rs.334,888 relating to 146 assessment units remained for over 05 years.	Action should be taken to recover arrears of revenue.	The arrears of revenue had been collected by the programmes of restraining of properties during the year 2019, and action will be taken to recover arrears further remained.
(ii) Even though, the all immovable properties in the authoritative area of the Sabha should be assessed once in 05 years to recover rates and taxes, the properties had not been assessed after the year 2011.	The properties should be assessed once in 05 years.	Even though, the Department of Valuation had been informed to assess the properties, they had not carried out that work up to now.
(b) Acreage Tax		
The balance of arrears of acreage tax amounting to Rs.91,115 as at the end of the year under review had included a sum of Rs.65,743 receivable from 73 units of acreage tax remained for over 05 years.	Action should be taken to recover arrears of revenue.	The verification of acreage tax had been completed and action will be taken to recover arrears.

2.2.3 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
The court fines receivable as at 31 December 2019 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.1,558,583 and the stamp fees receivable amounted to Rs.9,438,835. The stamp fees receivable for the period from July to December 2019 had not been identified even by March 2020.	Action should be taken to recover revenue receivable to the Sabha.	The schedules of stamp fees relating to the period from July to December 2019 were not received.

3. Operating Review
3.1 Human Resources Management
Vacancies and Excesses of Staff

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Eight employees had been recruited for the solid waste management activities without a proper authority and a sum of Rs.3,454,772 had been paid as salaries and wages during the period from the year 2017 to October 2019.	The recruitments of employees should be made properly.	Due to the emergency situation happened in the year 2017, the labourers were not sufficient to collect waste in the authoritative area and to dispose, and the service of labourers had been obtained on daily basis to carry out the service continuously and the Sabha had taken a decision to recruit them at present.
(b) Three casual drivers had been recruited on service agreements for 03 vacancies remained in permanent posts of drivers. But those drivers had not fulfilled the educational qualifications mentioned in the recruitment procedure.	The requirement of employees should be done in accordance with the recruitment procedure.	The requests had been made to refer these employees for the training programme of 10 days with a formal certificate conducted at District Secretariat level on the supervision and guidance of the Sri Lanka Institute of Development Administration.

3.2 Operating Inefficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
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The Sabha had not taken action either to remove or to regularize the 08 unauthorized constructions identified during the year under review.	Formal actions should be taken in respect of unauthorized constructions.	The written information had been made after the investigation of the Technical officer.

3.3 Assets Management

3.3.1 Assets not Recorded

Audit Observation

Even though, the Sabha had belonged the non-current assets amounting to Rs.149,950,452 as at the end of the year under review, the Registers of Assets had not been maintained in an updated manner.

Recommendation

The Registers of Assets should be maintained in an updated manner.

Comments of the Accounting Officer

All motor vehicles belonging to the Sabha had been recorded and action will be taken to record machinery and equipment and furniture and fittings.

3.3.2 Failure to Perform Maintenance and Repairs

Audit Observation

Action had not been taken to dispose 02 condemned vehicles belonging to the Sabha.

Recommendation

The condemned vehicles should be disposed.

Comments of the Accounting Officer

Relevant Vehicles were auctioned but no buyer came forward and that will be auctioned again in the future as per the new valuation.

3.3.3 Assets not Vested

Audit Observation

Action had not been taken for the vesting of 09 motor vehicles used by the Sabha in the name of the Sabha.

Recommendation

The assets utilized by the Sabha should be formally vested.

Comments of the Accounting Officer

Necessary action is being taken for the vesting of respective vehicles to the Sabha.

3.4 Irregular Transactions

Audit Observation

Despite, that no authority had been given by the Pradeshiya Sabha Act or other Circulars to grant loan advances to the Public Representatives, a sum of Rs.350,000 had been paid to 14 public representatives as festival advances in April 2019.

Recommendation

The provisions under a written law to grant loan advances to the Public Representatives are not provided.

Comments of the Accounting Officer

These loans had been paid as per the decision No.05:07:iii of the Monthly Council meeting of the Sabha held on 09 April 2019.

3.5

Procurements
Supplies and Services

Audit Observation

Contrary to the provisions of the Guidelines 2.7.7 and 2.8.5 of the Procurement Guidelines, a canopy had been fixed to a cab vehicle of the Sabha by incurring Rs.230,000 without an approval of the Procurement Committee and the Technical Evaluation Committee.

Recommendation

Action should be taken according to the Procurement Guidelines.

**Comments of the
Accounting Officer**

Action will be taken according to the Procurement Guidelines in future.