

**Nikaweratiya Pradeshiya Sabha**

-----  
**Kurunegala District**  
-----

**1. Financial Statements**

**1.1 Presentation of Financial Statements**

-----  
The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements forwarded to the Chairman of the Sabha on 28 September 2018.

**1.2 Qualified Opinion**

-----  
In my opinion, except for the effects of the matters described in paragraph 1.3 of this report, the financial statements give a true and fair view of the financial position of the Nikaweratiya Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

-----  
The following matters were observed.

- (a) The values relating to 611 items of lands and buildings belonging to the Sabha had not been assessed and brought to account.
- (b) The values of 11 items of furniture and office equipment belonging to the Sabha had not been brought to account.

**1.3.2 Unreconciled Accounts**

-----  
A difference of Rs.59,427,223 was observed between the balances relating to 02 items of accounts and the balances in the subsidiary registers as at the end of the year under review.

### 1.3.3 Accounts Receivable and Payable

-----

(a) **Accounts Receivable**

The value of balances of accounts receivable as at 31 December 2017 amounted to Rs.59,519,595 and the balance to be recoverable further by 11 July 2018 amounted to Rs.33,546,357.

(b) **Accounts Payable**

The value of balances of accounts payable as at 31 December 2017 amounted to Rs.63,396,705 and the balances further unsettled by 11 July 2018 amounted to Rs.39,670,593.

### 1.3.4 Lack of Written Evidence for audit

-----

Five items of accounts totalling to Rs.75,537,071 could not be satisfactorily verified in audit due to non-submission of required information.

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

-----

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

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Non-compliance</b>
-----	-----
(a) 1988 Pradeshiya Sabha (Financial and Administrative) Rules	
(i) Rule 193	A statement in respect of excesses and savings under each item of revenue and expenditure had not been furnished.
(ii) Rule 218	Annual surveys had not been carried out on lands and buildings.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.	
Financial Regulation 571 (2)	Action had not been taken on deposits older than 02 years amounting to Rs.1,554,064.

## 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 2017 amounted to Rs.21,653,263 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.12,571,888.

### 2.2 Revenue Administration

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

The information with regard 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	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	3,483	3,778	3,612	2,184	3,373	3,503	3,228	2,018
(ii) Lease Rent	25,401	21,579	21,010	7,083	9,701	12,335	18,029	6,514
(iii) Licence Fees	1,200	1,327	1,247	80	1,252	1,319	1,319	-
(iv) Other Revenue	76,361	64,052	58,615	28,628	78,505	63,385	61,661	23,191
Total	106,445	90,736	84,484	37,975	92,831	80,542	84,237	31,723

**Note:**

A sum of Rs.17,171,135 relating to the preceding years had included in the collected revenue of the year under review.

## **2.2.2 Performance in Collection of Revenue**

-----  
The billed revenue for the year under review amounted to Rs.90 million and a sum of Rs.84 million had been collected in the year under review. Out of that, a sum of Rs.17 million was relating to the receipts of the preceding years. Out of the collected revenue of Rs.84 million, a sum of Rs.58.6 million or 69 per cent had been collected under other revenue. The total arrears of Rs.31.7 million as at 31 December of the preceding year had increased up to Rs.37.9 million or by 20 per cent by the end of the year under review.

## **2.2.3 Rates and Taxes**

-----  
The following matters were observed.

- (a) Out of the arrears of rates and taxes as at 31 December of the year under review amounting to Rs.2,142,385, sums of Rs.393,768 and Rs.1,043,693 had existed without being recovered for a period ranging from 01 year to 03 years and over 03 years respectively. In terms of 1988 Pradeshiya Sabha (Finance and Administration) Rules 32 to 42, action had not been taken to recover arrears of rates by preparing lists of arrears on the quarterly basis and to issue the respective notices and to restrain the properties.
- (b) The balances of recoverable acreage tax and entertainment tax as at 31 December of the year under review amounted to Rs.20,731 and Rs.20,577 respectively.

## **2.2.4 Lease Rent**

-----  
The following matters were observed.

- (a) Out of the arrears of lease rent revenue as at 31 December of the year under review amounting to Rs.7,083,169, a sum of Rs.5,688,300 had been the key money for the health centre and the trade stalls of the bus stand.
- (b) The recoverable arrears of lease rent relating to leasing of 08 trade stalls belonging to the Sabha in the year under review amounted to Rs.458,886.
- (c) Action had not been taken to recover, the sums of Rs.45,200 and Rs.2,640 recoverable from 11 fruit stalls and from a vegetable trade stall respectively and a sum of Rs.55,737 receivable from 18 trade stalls of public market belonging to the Sabha for a number of years.
- (d) A sum of Rs.60,431 recoverable from 05 trade stalls leased out in the Nikaweratiya bus stand had not been recovered even by July 2018.

## **2.2.5 Court Fines and Stamp Fees**

-----

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and the other authorities as at 31 December 2017 amounted to Rs.4,150,550 and Rs.18,162,671 respectively.

## **3. Operating 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) By-laws**

-----

The by-laws prepared by the Department of Local Government for 55 areas for which should be imposed by laws in respect of the services executed for the public by the Local Government Institution in terms of Section 126 of the Pradeshiya Sabha Act had been embraced and action had been taken accordingly. Even though 02 years had elapsed after being prepared a by-law in respect of three wheelers parking and furnished to the Department of Local Government, the approval thereon had not been received.

#### **(b) Provisions not made**

-----

A sum of Rs.1,937,259 had been incurred for 03 projects not budgeted for the year under review.

#### **(c) Solid Waste Management**

-----

The Solid Waste Management project had been implemented from 28 April 2016 and a sum of Rs.2,018,299 had been incurred for the development of the centre in the year under review. Thirty nine tones of composts had been produced from 704 tons of bio degradable waste and sold and a sum of Rs.397,470 had been earned in the year under review. Further, the land on which maintained the waste management centre had not been vested with the Sabha.

#### **(d) Sustainable Development Goals**

-----

The Sabha had aware in respect of the “2030 Agenda of Sustainable Development Goals” of the United Nations Organization through the internet. The programmes of conducting gardening competitions, self-employment training programmes and programmes for

providing grants had been implemented with an objective to get rid of poverty as a preparation for achieving goals and objectives identified by the Sabha.

### **3.2 Management Inefficiencies**

-----

A proper register to be identified the details accurately such as requesting number for street lamps repairs and the accessories required/ used thereon, the guarantee period of the electric accessories and the repairs of each street lamp made during the year had not been maintained by the Sabha.

### **3.3 Human Resources Management**

-----

The following matters were observed.

- (a) The approved cadre of the Sabha should at 91 while the actual cadre as at the end of the year under review amounted to 83. One post of Tertiary Level and 07 posts of primary level had remained vacant and 24 employees had been recruited on casual/ contract basis.
- (b) Three employees appointed as road labourer and health labourer had been deployed in the activities of the office of the Sabha.
- (c) Staff loans amounting to Rs.158,786 had to be recovered by 11 July 2018 due to retirements, station transfers and vacated of posts of the officers.

### **3.4 Identified Losses**

-----

The following matters were observed.

- (a) A sum of Rs.56,385 had been incurred from Sabha funds to fix front windscreen of the motor grader No.K-120 but the insurance company had re-imbursed only a sum of Rs.24,817 and as such a loss amounting to Rs.31,563 had been incurred.
- (b) At the physical examination carried out relating to the stores of the electric articles on 17 October 2017 a shortage of 53 items of electric goods amounting to Rs.30,375 was observed.

### **3.5 Procurements**

-----

#### **3.5.1 Procurement Plan**

-----

The Sabha had not prepared a Procurement Plan in terms of Guideline 4.2.1 of the Procurement Guidelines.

### 3.5.2 Supplies and Services

-----

The following matters were observed.

- (a) The quotations had been called to purchase 05 pair of cutting blades for the motor grader without being given adequate period to submit bids and 06 pairs of cutting blades had been purchased by incurring Rs.96,000.
- (b) Without calling quotations in terms of Guideline 3.4.2(a) of the Procurement Guidelines for repairs of a vehicle amounting to Rs.61,130 three quotations had been obtained privately on 20 June 2017. But the recommendation of the Technical Evaluation Committee had been received on 19 June 2017 before obtaining the quotations.

### 5. Systems and Controls

-----

The deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b>	<b>Deficiency</b>
-----	-----
(a) Accounting	(i) Understating fixed assets in the accounts. (ii) Differences in registers and schedules. (iii) Non-maintenance of registers.
(b) Revenue Administration	Action not taken to recovery of balances receivable.
(c) Budgetary Control	Significant variances in the estimated and actual revenue.
(d) Fixed Assets Control	Failure to assess the assets and non-maintenance of Registers.