

Narrammala 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 had been forwarded to the Chairman 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 Narrammala 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 grants received under Pradeshiya Sabhas Strengthening Programme amounting to Rs.2,008,064 had been shown as recurrent revenue in the financial statements.
- (b) The value of the Karambe Meewewa Ginipenda auctioned land had been brought to account twice.
- (c) The value of 44 lands amounting to Rs.720,025 belonging to the Sabha had not been brought to account.

1.3.2 Accounts Receivable and Payable

- (a) Accounts Receivable

Out of the receivable accounts balances as at 31 December 2017 amounting to Rs.32,807,890, the balances unsettled for over one year amounted to Rs.12,974,366.

(b) Accounts Payable

Out of the payable balances as at 31 December 2017 amounting to Rs.26,639,323, the balances unsettled for over one year amounted to Rs..6,889,667.

1.3.3 Lack of written evidence for audit

Five items of accounts totalling Rs.179,815,765 could not be satisfactorily verified in audit due to non-submission of required information.

1.3.4 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	Value	Non-compliance
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	Rs.	
(a) Section 23(a) of Tea, Rubber and Coconut Estates (Fragmentation Control) Act No.02 of 2005	-	The approval of the Fragmentation Control Board had not been obtained for fragmentize of the coconut lands in Karambewatta and Ranakethapitiya in a land extent totalling 43 acres and 02 roods.
(b) 1988 Pradeshiya Sabha (Financial and Administration) Rules. Rule 218	-	The annual surveys in respect of land and buildings had not been carried out.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
(i) Financial Regulation 396	13,838	Action had not been taken in respect of 04 cheques not presented for payments.
(ii) Financial Regulation 570	573,538	Action had not been taken on 53 deposits older than 02 years.
(iii) Financial Regulation 571	-	Lists of all deposits which have lapsed had not been prepared at the close of each half year.

- (d) Public Accounts Circular - A Register of Fixed Assets in respect of computers, accessories and software had not been maintained.
- No.IAI/2002/02 dated 28 November 2002

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.34,890,271 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,849,631.

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	5,956	5,010	4,617	1,739	5,941	4,472	4,472	1,415
(ii) Lease Rent	21,792	22,307	22,448	101	21,761	10,890	10,706	474
(iii) Licence Fees	2,151	2,355	2,355	-	2,226	6,633	6,633	-
(iv) Other Revenue	72,815	79,641	79,577	17,423	70,554	13,804	17,341	23,392
Total	102,714	109,313	108,997	19,263	100,482	35,799	39,152	25,281

Note :

A sum of Rs.05 million received from the arrears of revenue in the preceding years had included in the revenue collected during the year under review amounting to Rs.108 million.

2.2.2 Performance in Collection of Revenue

Out of the billed revenue of Rs.109 million in the year under review a sum of Rs.108 million had been recovered and a sum of Rs.19 million had to be recovered further as at the end of the year under review with the arrears of preceding years.

2.2.3 Rates and Taxes

The following matters were observed.

- (a) A sum of Rs.999,481 had been recovered during the year under review out of the arrears of assessment rates existed at the beginning of the year under review, while out of the billed assessment rates for the year amounting to Rs.4,495,019, the arrears amount as at 31 December of the year under review amounted to Rs.1,676,840.
- (b) The red notices had been issued by Dambadeniya sub office in July 2017 for the final payments of 70 assessment units, but action had not been taken thereafter to restrain the properties in respect of the units for which payments not made.
- (c) The annual assessment for the ground floor relating to assessment No.35 of Kurunegala Road left side amounting to Rs.108,732 in the year 2009 had been reduced up to Rs.100,038 according to the assessment made in the year 2015.

2.2.4 Lease Rent

The following matters were observed.

- (a) Sums of Rs.65,753 and Rs.35,518 had to be recovered as at the end of the year under review as trading places lease rent and lease rent on tenders relating to the year under review respectively.
- (b) As action had not been taken to recover the lease rent from 52 trade stalls in old trading complex in Narrammala, 22 vegetable trade stalls in Narrammala public market and 05 temporary vegetable trade stalls according to the new assessment dated 25 August 2016, a revenue of Rs.203,900 relating to the year 2017 had been deprived by the Sabha.

2.2.5 Other Revenue

A sum of Rs.108,000 had not been recovered for 05 advertisement hoardings fixed in the Sabha limits and a sum of Rs.38,000 had been under recovered in respect of 02 advertisement hoardings.

2.2.6 Court Fines and Stamp Fee

The court fines and stamp fees recoverable as at 31 December 2017 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.4,912,180 and Rs.12,511,265 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**

Ten by-laws imposed by the Provincial Council had been embraced by the Sabha in addition to 42 by-laws imposed by the Extra-ordinary Gazette No.520/7 of the Democratic Socialist Republic of Sri Lanka dated 23 August 1988 in accordance with the Section 126 of the Pradeshiya Sabha Act.

(b) **Activities not Executed**

Fifty one projects for which made budgeted provisions of Rs.3,930,000 had not been executed during the year under review due to various reasons.

(c) **Non-execution of Expected Benefits**

The construction of the Oliyadeniya bio gas unit had not been carried out as per the agreement and as such the expected amount of gas for the activities of the crematorium could not be obtained from that unit.

(d) **Solid Waste Management**

The Sabha had produced 45650 kilo grams of composts during the year under review and 43305 kilo grams of composts out of that had been sold. A revenue of Rs.428,050 had been earned from that while a total expenditure of Rs.15,931,711 had been incurred thereon.

(e) **Sustainable Development Goals**

The Sabha had aware in respect of “2030 Agenda of Sustainable Development” objectives of the United Nations Organization and the sustainable development objectives related to the Sabha had been identified and included to the Action Plan. The provisions of Rs.450,000 had been made from the Sabha funds in the year under review to achieve these objectives and goals and a sum of Rs.250,670 out of that had been incurred.

3.2 Human Resources Management

(a) Vacancies and Excesses of Staff

Nine vacancies relating to 07 posts in the Tertiary levels, Secondary level and primary level had existed in the year under review while 07 employees relating to 04 primary level posts and 03 community hall labourers posts not included in the approved cadre had been deployed in excess in the service.

(b) Staff Loans

The following matters were observed.

- (i) Contrary to the provisions of the Public Administration Circular No.30/2008 dated 31 December 2008 the loans had been granted for 04 employees exceeding the maximum limit which could have been given per employee.

- (ii) A loan balance of Rs.11,250 had to be recovered from 02 employees who vacated of posts and deceased respectively.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) Despite that the business activities has been carried out by a private institution in the ground floor of a building situated in Negombo road from the year 2016 annual assessment value had been shown as Rs.1,000 considering as a building is being remained constructing level at present.

- (b) As the business activities are being carried out separately in each floor of a building of 04 floors with the ground floor, the annual assessment value should be shown separately according to the assessment made in 2015. Nevertheless, the assessment of 04 floors had been made as one assessment unit and shown the annual assessment value as Rs.277,558.

3.4 Assets Management

3.4.1 Idle/ Underutilized Assets

A cab vehicle had remained idle from a period of 06 months due to not in running condition.

3.5 Identified Losses

A Value Added Tax amounting to Rs.74,790 relating to the constructions of the bio gas unit had been overpaid to the contractual company.

3.6 Procurements

3.6.1 Procurement Plan

According to the Guideline 4.2.1 of the Procurement Guidelines, a detailed Procurement plan had not been prepared by the Council indicating the procurement activities for the year under review.

4. Accountability and Good Governance

4.1 Internal Audit

Five officers employed in the service of the Sabha had been attached to the Internal Audit Unit and it was observed that the independency of internal audit was not shown as other duties of the Sabha also assigned to these officers.

4.2 Budgetary Control

The following matters were observed.

- (a) The entire budgeted provisions made for 03 programmes in the year under review had been saved and the provisions of Rs.3,977,611 or 64 per cent out of the total budgeted provisions made for 03 programmes amounting to Rs.6,282,000 had been saved.
- (b) A sum of Rs.1,151,154 had been incurred to execute 29 community development programmes for which not made budgeted provisions in the year under review.

5. Systems and Controls

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

System

- (a) Revenue Administration

- (b) Maintenance of Registers

- (c) Assets Control

Deficiency

- (i) Delays in collection of revenue

 - (ii) Non-preparation of reports of arrears of revenue.
- Non-maintenance of Registers of Fixed Assets in an updated manner.
- (i) Action not taken for vesting of assets.

 - (ii) Failure to take action for repairs of assets.