

Niyagama Pradeshiya sabha  
Galle District

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1. Financial Statements

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1.1 Presentation of Financial Statements

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The Financial Statements for the year 2019 had been presented for audit on 06 April 2020 and the report of the Auditor General on 22 June 2020 and the Detailed Management reports had been sent on 30 June 2020 to the Chairman of the Council.

1.2 Qualified Opinion

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In my opinion, except for the effect of matters described in the, basis for qualified opinion under the Section of my report the financial statements give a true and fair view of the financial position of the Niyagama 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

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1.3.1 Accounting Deficiencies

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Audit observations	Recommendations	Comments of the Accounting Officer
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(a) An amount of Rs.1,503,338 had been spent for the repair of buildings in the year under review were not capitalized.	Correct amounts should be accounted.	Action will be taken to correct during the preparation of account for the year 2020.
(b) Machines and machinery purchase in the year under review had been overstated by an amount of Rs.31,433.	Correct balances should be accounted.	Action will be taken to correct during the preparation of account for the year 2020.
(c) An item which is not Fixed Asset amounting to Rs.324,541 was included in to the balance of the Machines and machinery as of 31 December of the year under review.	Should be accounted correctly.	Action will be taken to correct during the preparation of account for the year 2020.

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| (d) | Staff deposits taken from 15 council officers amounting to Rs.70,500 had not been accounted.                              | Staff deposits should be accounted correctly. | Action will be taken to correct during the preparation of account for the year 2020. |
| (e) | Recurrent expenditure amounting to Rs.49,673 spent for the new year's festival had been accounted as capital expenditure. | Should be accounted correctly.                | Action will be taken to correct during the preparation of account for the year 2020. |

1.3.2 Unreconciled accounts.

Audit observations	Recommendations	Comments of the Accounting Officer
(a) There was an unreconciled amount of Rs.5,835,675 between the balances of the Financial Statement and utility registers/ sub registers of 03 Accounting items as at 31 December of the year under review.	Action should be taken to correct the accounts after reconcile the balances.	Action will be taken to correct in the future since the unreconciled were seen since a long time.
(b) There was a difference of Rs.38,678 between the Balances of Fixed Assets account and Capital Contribution by Income account.	Should be accounted properly after comparing the accounts.	Action will be taken to rectify during the preparation of accounts for the year 2020.

1.3.3 Receivable and Payable accounts.

(a) Receivable accounts

Audit observations

Action had not been taken to recover a balance of debtor amounting to Rs.5,121,192 since a long time.

Recommendations

Receivable balances should be recovered.

Comments of the Accounting Officer

Action will be taken to recover arrears of income.

(b) Payable accounts

Audit observations

Action had not been taken to settle a credit balances totaling to Rs.13,645,590 relevant to the preceding years.

Recommendations

Action should be taken to settle payable balance of accounts.

Comments of the Accounting Officer

Payable accounts balance will be settled in the future.

1.3.4 Lack of documentary evidence for Audit

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 Non- submission of information  
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Audit observations	Recommendations	Comments of the Accounting Officer
----- Information relating to 08 accounting items amounting to Rs.144,685,876 had not been presented for Audit.	----- Evidence confirming the balances of the financial statements should be presented.	----- Action will be taken to rectify in the future.

1.4 Non compliance

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 Non-compliance with Laws, Rules, Regulations and Management Decisions.  
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References to the Laws, Rules, Regulations and Management decisions	Non-compliance	Recommendation	Comments of the Accounting Officer
----- (a) 1988 Pradeshiya Saba (Financial and Administrative) Rules -----	(i) Rule 33 A list of persons who had neglected to pay the Assessment Tax and a list of prohibition of property warrants had not been prepared	Action should be taken in accordance with the rules.	Action will be taken to issue warrants and collect arrears of income in future.
(ii) Rule 193	A statement had not been prepared depicting the reasons for the Excess and Deficiencies after comparing the Budget and Expenditure items.	Action should be taken in accordance with the rules.	Action will be taken to present such a statement in future.
(iii) Rule 218	An inspection had not been conducted even on an annual basis for the Land belonging to the Council.	Action should be taken in accordance with the rules.	Action will be taken as accordingly.

(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka

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Financial Regulation 571

Action had not been taken for deposits totaling Rs.10,978,734 more than 2 years.

Action should be taken according to Financial Regulations.

Action will be taken to collect the expired deposit to income.

(c) The Circular of the Secretary of Public Administrative and Management No.30/2016 dated 29 December 2016

Fuel consumption tests was not done for 10 vehicles belonging to the council.

Action should be taken in accordance with the Circular.

Action will be taken in accordance with Circulars in future.

2. Financial review

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2.1 Financial Results

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According to the Financial Statements presented, the Revenue over the Recurrent expenditure of the Council for the year ended 31 December 2019 amounted to Rs.6,544,603 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.4,435,277.

2.2 Financial Administration

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Audit observations

Recommendations

Comments of the Accounting Officer

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The Cumulative Fund Account Debit balance existed in 2017 and 2018 was Rs.27,450,427 and Rs.7,470,678 respectively and as at the end of the year under review it was Rs.7,384,375. As such the existence of a debit balance of the Cumulative Fund Account was not a way of healthy Financial Administration.

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The Cumulative Fund should be improved by increasing the Working Capital.

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Action will be taken to rectify in the future.

2.3 Revenue Administration

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2.2.1 Estimated Income, Billed Income, Collected Income, and Arrears of Income

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The details of the Estimated Income, Billed Income, Collected Income and Arrears of income for the year under review and the preceding year are shown below.

Source of Income	<u>2019</u>				<u>2018</u>			
	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December	Estimated Income	Billed Income	Collected Income	Total arrears of income at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and tax	901,603	653,613	689,213	340,334	1,419,850	1,461,880	1,746,829	375,934
Rent	4,167,056	4,590,297	3,881,070	1,130,970	5,690,850	4,620,375	4,969,716	402,274
Permit fees	314,026	270,334	279,084	-	310,625	419,286	421,411	-
<b>Total</b>	<b>5,382,685</b>	<b>5,514,244</b>	<b>4,849,367</b>	<b>1,471,304</b>	<b>7,421,325</b>	<b>6,501,541</b>	<b>7,137,956</b>	<b>778,208</b>

### 2.2.1 Court fines and stamp duties

#### Audit observations

The Court Fines amounting to Rs.2,722,817 and Stamp fees amounting to Rs.5,748,014 was to be recovered from the Chief Secretary of the Provincial Council and other authorities at 31 December of the year under review.

#### Recommendation

Court fine Income and stamp fees income should be collected exigent.

#### Comments of the Accounting Officer

Letter has been sent to the Chief secretary asking for the receivable funds.

### 3. Operational Review

#### 3.1 Performance

Facts observed relating to the execution of activities by the Pradeshiya Sabha in accordance with Section 3 of the Pradeshiya Sabha Act such as regulation of health of the general public, common utility services and public road facilities and maintenance of people's welfare, facilities and development are given below.

##### (a) Action plan

#### Audit observations

An action plan was not prepared for the duties to be performed as according to the stated bylaws by the Council for the year under review.

#### Recommendation

An annual Action plan should be made.

#### Comments of the Accounting Officer

Action will be taken to prepare an annual action plan in the future.

(b) Solid waste management

Audit observations

Although a separate unit was established and long-term plans were made for the disposal of solid waste, action had not been taken by the council to enter the program.

Recommendation

Action should be taken to prepare a program for the long-term disposal of waste.

Comments of the Accounting Officer

Action is being taken to prepare such a program.

(c) Goals of Sustainable development

Audit observations

Plans had not been made according to 2030 Agenda for the Purposes of Sustainable Development for the global view of such purposes to enhance the living standards and health of the people living in the Council Territory.

Recommendation

Action should be taken to enhance the living standards and health of the citizens by preparing long term plans for sustainable development.

Comments of the Accounting Officer

A plan will be made in the future to enhance the living standards of the people living within the area of authority.

3.2 Management inefficiencies

Audit observations

(a) Receivable repair costs could not be collected for the repair of streetlamps since the council had not entered into an annual contract with the Electricity Board for the repair of streetlamps.

Recommendation

Repair costs should be collected for the repair work.

Comments of the Accounting Officer

Action will be taken to enter into an agreement in future.

(b) Since renting the compactor belonging to the council was not done properly, an amount of Rs.64,000 in 2018 and an amount of Rs.60,000 in 2019 was to be collected from the Driver.

The renting of the compactor should be done properly.

A proper system will be made in future.

3.3 Human resource management  
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Audit observations  
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Recommendation  
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Comments of the  
accounting officer  
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(a) Action had not been taken to recruit 10 vacancies of the approved positions.

Action should be taken to fulfill vacancies.

Action will be taken to recruit to vacancies after discussing with the Department of Local Government

(b) A daily salary amounting to Rs.738,661 was paid for 06 Substitute Employees as of 31 December for 2019.

Action should be taken to formalize Substitute Positions.

Action will be taken to formalize after discussing with the Department of Local Government

4. Accountability and good governance  
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4.1 Internal audit  
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Audit observations  
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Recommendation  
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Comments of the  
accounting officer  
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A proper internal audit had not been conducted within the year under review.

Action should be taken to strengthen Internal Audit.

Action will be taken to conduct Internal Audit and send reports.

4.2 Conducting Audit and Management committees  
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Audit observations  
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Recommendation  
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Comments of the  
accounting officer  
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Action had not been taken to conduct Audit and Management Committees even as at the end of the year under review.

Action should be taken as according to the Circular.

Action will be taken to conduct Audit and Management Committees.