

Neluwa Pradeshiya Sabha
Galle District

1. Financial Statement

1.1 Presentation of Financial Statements

The Financial Statements for the year 2019 had been presented for audit on 21 April 2020 and the summary report of the Auditor General on 19 June 2020 and the Detailed Management reports on 30 June 2020 had been sent to the Chairman of the Council.

1.2 Qualified Opinion

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 Neluwa 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

1.3.1 Accounting Deficiencies

| Audit observations | Recommendations | Comments of the Accounting Officer |
|---|--|--|
| ----- | ----- | ----- |
| (a) Provisions had not been made for Expenditure Creditors amounting to Rs.234,970 up to 31 December of the year under review. | Provisions for Creditor should be accounted | Actions will be taken to correct when preparing the accounts in 2020 |
| (b) The Provisions had not been made for the Creditors of the year under review. | Provisions for Creditor should be accounted | Actions will be taken to correct when the preparing the accounts in the year 2020. |
| (c) Pahala Mallawa Bridge constructed by expending Rs.38,394,004 and the waste storage constructed by expending Rs.1,393,510 in the previous year had not been accounted. | Assets should be accounted correctly. | Actions will be taken to correct when preparing the accounts in 2020 |
| (d) Credit Provisions had not been done for the Contributions of the Local Government Pension Fund amounting to Rs.7,141,037 as at 31 December of the year under review | Credit provisions should be Accounted correctly. | Actions will be taken to correct when preparing the accounts in the year 2020 |

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|-----|--|--|---|
| (e) | A Stock of overseer field storage valued at Rs.45,665 which are not physically present in the Council had been accounted | Stores Stocks should be correctly accounted. | Actions will be taken to correct when preparing the accounts in the year 2020 |
| (f) | Arrears income of the rent of Duli Alla market and Fish stall amounting to Rs.1,087,583 had not been accounted as at 31 December of the year under review. | Arrears income should be correctly accounted. | Actions will be taken to correct when preparing the accounts in the year 2020 |
| (g) | An interest amounting to Rs.41,548 in the savings account had not been accounted as at 31 December of the year under review. | Interest income should be accounted correctly. | Actions will be taken to correct when preparing the accounts in the year 2020 |
| (h) | A fixed deposit interest amounting to Rs.161,250 had not been accounted as at 31 December of the year under review. | Interest income should be accounted correctly. | Actions will be taken to correct when preparing the accounts in the year 2020 |

1.3.2 Unreconciled Accounts

The following un-reconciliation had been observed.
Audit observations

- | | Recommendations | Comments of the Accounting Officer |
|---|--|--|
| ----- | ----- | ----- |
| (a) There was a difference of Rs.61,600,177 in between the balance of the 07 accounting items and the related utility registers and Sub registers as at 31 December of the year under review. | Action should be taken to correct the accounts reconciling the difference of the accounts. | Action will be taken to correct in future. |
| (b) There was a difference of Rs.73,362 in between the balances of 03 Bank Current Accounts in their balances in the Trial balance and the balance in each cash books. | Action should be taken to correct the accounts after reconciling the difference of the accounts. | Action will be taken to correct in future. |
| (c) There was a difference of Rs.6,405,790 between the balances of the Main Ledger and the Trial balance as at 31 December of the year under review. | Accounts should be prepared correctly. | Actions will be taken to correct when preparing the accounts in 2020 |

1.3.3 Suspense Accounts

| Audit observations | Recommendations | Comments of the accounting officer |
|---|--|--|
| (a) Action had not been taken to identify the credit balance amounting Rs.21,176 in the suspense account and make relevant adjustments and settle bought forward since preceding year 2015. | Balances of the Suspense account should be reconciled. | Action will be taken to correct in future. |

1.3.4 Receivable and Payable accounts

| Audit observations | Recommendation | Comments of the Accounting Officer |
|--|--|------------------------------------|
| (a) Accounts Receivable | | |
| (i) Action had not been taken to recover Rs.3,572,194 to be received from the Department of Local Government for 07 development projects of the year 2014. | Action should be taken to recover the receivable amounts. | Noted to collect in the future. |
| (ii) Action had not been taken to recover an arrears of Rs.478,300 of Weekly collections of the fair since 2008 | Action should be taken to collect the arrears of Debtor balance. | Noted to collect in next year. |
| (b) Accounts Payable | | |
| (i) Action had not been taken to settle an amount of Rs.260,222 stated in books as General Supplies credit balance since 2016 | Action should be taken to settle payable balances. | Noted to correct in next year. |
| (ii) Action had not been taken to settle a balance of the Capital Expenditure Creditors amounting to Rs.1,225,846. | Action should be taken to settle payable balances. | Noted to correct in next year. |

1.3.5 Lack of documentary evidence for audit.

 Non submission of information.

| Audit observations | Recommendation | Comments of the Accounting Officer |
|--|---|------------------------------------|
| Necessary Information regarding 17 accounting items totaling to Rs.126,577,322 had not been submitted for audit. | Information to confirm the accounts balances should be submitted. | Action will be taken to correct. |

1.4 Non-Compliance

 Non-compliance with Law, Rules, Regulation and Management decisions.

| 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 default to pay the Acreage Tax and a list of prohibition of property warrants had not been prepared | Action should be taken in accordance with the rules. |
| | (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. |
| | (iii) Rule 218 | A survey had not been conducted even on an annual basis for the Land and Buildings belonging to the Council. | Action should be taken in accordance with the rules. |

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

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- (i) Financial Regulation 702(3) Action had not been taken to present copies of the agreements signed regarding contracts to the Auditors General. Action should be taken in accordance with the Financial Regulations.
- (ii) Financial Regulation 1645-1646 Monthly Summaries and Daily Running charts of 04 running condition vehicles had not been submit for audit. Action should be taken in accordance with the Financial Regulations.
- (c) The Circular No.30/2016 of Public Administration dated 29 December 2016 Fuel consumption tests were not done for 08 vehicles belonging to the council. Fuel combustion test should be done. Action will be taken to conduct fuel consumption tests in the future.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, for audit the Revenue over Recurrent Expenditure of the Council for the year ended 31 December 2019 amounted to Rs.2,121,063 as compared with the corresponding Revenue over Recurrent Expenditure for the preceding year amounted to Rs.3,159,098.

2.2 Revenue Administration

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

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 | 2019 | | | | 2018 | | | |
|------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|--|
| | 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 | 515,590 | 393,798 | 389,822 | 67,659 | 415,500 | 446,990 | 467,852 | 63,683 |
| Rent | 7,565,850 | 7,659,835 | 6,643,383 | 1,601,398 | 7,369,300 | 7,264,900 | 6,960,092 | 584,946 |
| License fees | 263,000 | 189,119 | 189,119 | 17,835 | 184,300 | 201,003 | 201,003 | 17,835 |
| Service fees | 1,059,500 | 1,422,924 | 1,422,924 | - | 853,150 | 1,196,752 | 1,196,752 | - |
| Total | 9,403,940 | 9,665,676 | 8,645,248 | 1,686,892 | 8,822,250 | 9,109,645 | 8,825,699 | 666,464 |

2.2.2 Assessment and Tax

| Audit observations | Recommendation | Comments of the Accounting Officer |
|---|---|--|
| (a) Acreage Tax | | |
| An Acreage tax amounting to Rs.27,364 to be charged for the year under review and the preceding years had not been recovered. | Arrears of Acreage tax should be collected. | Action will be taken to recover in the future. |
| (b) Business tax | | |
| Action had not been taken to recover an arrears of Business Tax amounting to Rs.40,295 due from the preceding year. | Action should be taken to recover the arrears of Tax. | Action will be taken to recover the arrears of tax in the future. |
| 2.2.3 Rent | | |
| Audit observations | Recommendation | Comments of the accounting officer |
| (a) Shop Rent | | |
| There was an arrears Shop rent of Rs.513,816 as at 31 December of the year under review. | Action should be taken to collect the arrears of Shop Rent. | Action will be taken to recover the arrears of shop tax in the future. |
| (b) Leasing of Trade Rights | | |
| (i) Rentals to be recovered from tendering the weekly fair in Duli Alla premises and fish stall and weekly market amounted to Rs.987,400 as at the year under review. | Action should be taken to recover arrears of income. | Action will be taken to recover arrears of income in future. |
| (ii) An amount of Rs.118,520 had been lost to the Council after paying the electricity and Water bills of the public market that was given on tender basis. | Action should be taken to recover arrears of income. | Action will be taken to recover arrears of income in the future. |

2.2.4 Court fines and stamp duties

Audit observations

The Court Fines and Stamp Duties to be recovered from the Chief Secretary of the Council and other authorities as at 31 December 2019 amounted to Rs.21,360 and Rs.9,130,160 respectively. But according to the reports of the Chief Secretary these values were not reconciled

Recommendation

Action should be taken to maintain Revenue documents properly.

Comments of the accounting officer

Action will be taken to correct in the future.

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.

Audit observations

(a) Action plan

An annual action plan had not been prepared for the duties to be performed by the Council.

Recommendation

An annual Action plan should be prepared.

Comments of the accounting officer

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

(b) Failure to obtain desired output levels

The project for creating a green environment zone in the year 2017 amounting to Rs.232,625 was expended out of Rs.375,125 given by the Ministry of Fisheries, Animal Products and Development, Environmental affairs, Rural Industries, Electrical and Rural and Estate infrastructure development to the Council but project had not been fulfil.

The project should be fulfilled urgently.

Noted to finish the project in the future.

(c) Solid Waste Management

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

Action should be taken to prepare a program for the long-term disposal of garbage. Project is being preparing

(d) Goals of Sustainable Development

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.

Action should be taken to enhance the living standards and health of the citizens by preparing long term plans for sustainable development. A plan will be made in the future to enhance the living standards of the people living within the area of authority.

3.2 Human resource management

Audit observations

Recommendation

Comments of the accounting officer

(a) Excess and Vacancies of staff.

Action had not been taken to recruit 10 vacancies of the approved posts and to clear 05 excess of cadre.

Action should be taken to fulfill vacancies and clear excess of cadre.

Action will be taken to regularize posts.

(b) Staff loans

Action had not been taken to settle the balance loan amounting of Rs.124,890 due from staff loan from a staff member retired in the year 2018.

Arrears of the loan should be collected.

Action will be taken to collect the arrears of Loans in the future.

3.3 Asset Management

3.3.1 Assets not taken over

Audit observations

Action had not been taken to acquire 07 vehicles amounting to Rs.37,053,200 and one vehicle not mentioned the value received by the Council from 2008 to 2015.

Recommendation

The ownership of the vehicles should be transported.

Comments of the Accounting Officer

Noted to taken over the ownership in future.

3.3.2 Idle/Underutilized Assets

Audit observations

A hand tractor from 2000 and a hoister from 2014 had not been used.

Recommendation

If the repair cannot be done, actions should be taken to discard.

Comments of the Accounting Officer

Noted to auction in future.

3.4 Procurement

3.4.1 Procurement plan

Audit observations

A procurement plan had not been prepared for the supply of goods and services within the year under review.

Recommendation

Action should be taken to prepare a procurement pan.

Comments of the Accounting Officer

Noted that a procurement plan will be prepared in future.

4. Accountability and Good governance

4.1 Internal audit

Audit observations

A proper internal audit had not been conducted for the year under review.

Recommendation

An Audit plan should be prepared and to conduct proper Internal Audit.

Comments of the accounting officer

Action will be taken to act according to the Financial Regulations and Circulars.

4.2 Audit and Management committees

Audit observations

A single Audit and Management committee had been held within the year under review.

Recommendation

Action should be taken in accordance with the Circular.

Comments of the Accounting Officer

Action will be taken in accordance with the Circular in the next year.