

Embilipitiya Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 30 March 2015 while Financial Statements relating to the preceding year had been submitted on 31 March 2014. The Auditor General's Report relating to the year under review was issued to the Secreary of the Sabha on 13 July 2015.

1.2 Opinion

In my opinion, except for the effect of the matters described in paragraph 1.3 of this report, financial statements give a true and fair view of the financial position of the Embilipitiya Pradeshiya Sabha as at 31 December 2014, its financial performance and cash flow for the year then ended in accordance with Sri Lanka Public Sector Accounting Standards.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Instead of crediting the cost of the Double Cab disposed amounting to Rs. 1,250,000 during the year under review to the Assets Account, selling value of Rs. 1,230,000 had been credited. Accordingly, the value of Motor vehicles and Carts had been overstated in the financial statements for the year under review.

1.3.2 Non-reconciled Control Accounts

- (a.) There was a difference of Rs.552,889 between the balances according to financial statements as at 31 December 2014 and balances according to the subsidiary registers relevant to 09 items of accounts.
- (b.) While Employees Security Investments was Rs. 341,142 in the financial statements as at the end of the year under review, balance of the Security Deposits had been Rs. 447,119. Accordingly a difference of Rs. 105,977 was observed.

1.3.3 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Financial Regulation of the Republic of Sri Lanka-1992	
(i.) Financial regulation 371(2)	- Action had not been taken to get settled Advances totalling Rs. 1,984,402 given during the year 1986 up to the end of the year under review.
(ii.) Financial regulation 571	- Deposits totalling Rs. 5,465,459 remaining un-settled since the year 2011 had been retained continuously.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabah for the year ended 31 December 2014 amounted to Rs. 10,742,736 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 10,875,311.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information furnished relating to Estimated Revenue, Actual Revenue and Arrears of Revenue are shown below.

Item of Revenue	Estimated	Actual	Cumulative arrears as at 31 December
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	Rs '000	Rs '000	Rs '000
(i.) Rates and Taxes	455	455	2,739
(ii.) Lease Rent	6,216	7,282	275
(iii.) License Fees	911	546	-
(iv.) Other Revenue	3,702	4,302	4,600

2.2.2 Performance in Revenue Collection

When estimated revenue for the year under review is compared with the revenue collected a decrease of 27 per cent, 39 per cent, 92 per cent and 60 per cent are indicated in Rates, warrant Charges, Other Revenue and Other Grants Taxes, Rent Income and Warrant Charges less than the estimated revenue respectively.

2.2.3 Publicity Advertisement Boards Charges

Charges in respect of 12 Advertisement Boards had been recovered during the year 2014 according to the charges to be recovered for displaying Advertisement Boards in the area of authority of the Sabah in terms of by-law 39 of the Standard by-laws of the Local Government Institutions adopted on 08 October 1999 by the Sabaha and the decision No.05(15) iv of the General Meeting of the Sabha dated 26 September 2014. Sabha had not maintained a Register containing detailed information such as the size, location etc. with regard to the Advertisement Boards displayed. The Sabah had no scheme to recover charges from various publicity boards of business places situated in the area of authority of the Sabha in addition to the authorized advertisement boards.

2.2.4 Water Charges

Water Charges amounting to Rs. 1,742,254 was in arrears over a number of years relevant to 423 water consumers connected with 02 Water Projects operated by the Sabha as at 31December 2014.

2.2.5 Court Fines and Stamp Fees

Following observations are made.

- (a.) Necessary course of action had not been taken to get the schedules relevant to Court Fines Receivable thorough the Embilipitiya Magistrate Courts for the period from October 2014 to the end of the year under review.

- (b.) Action had not been taken to get the schedules relevant to Stamp Fees receivable to the Sabha for the period from April 2014 to the end of the year under review.

2.3.6 Charges for Telecommunication Towers

Although standard charges to be recovered for Telecommunication Towers, had been stated in the Gazette Notification NO. 1597/8 dated 17 April 2009 of the Republic of Sri Lanka, a proper methodology had not been followed in granting approval for the telephone and communication towers erected in the area of authority of the Sabha for the recovery of charges.

3. Operating Review

3.1 Management Inefficiencies

There was no established procedure to ascertain the true number of hours worked with regard to the vehicles/machines such as the Motor Grader, the Compacting Machine and the Tipper Vehicle. When these vehicles are deployed for outside works the permission had been granted merely on the basis of oral permission, and there were no evidences of granting formal permission. Accordingly, it was not possible for the Sabha to confirm the true number of hours performed by these vehicles/machines and whether the true revenue receivable was received to the Sabha.

3.2 Vehicles Control

Following observations are made.

- (a.) Lack of fixing responsibility of each vehicle of the Sabha in writing to the relevant drivers with the inventory.
- (b.) When providing fuel for the Sabah vehicles, failure to make a note on the fuel bill to the effect that the quantity of fuel supplied were duly recorded in the daily running charts.

- (c.) Non-maintenance of Inventories containing adequate particulars with regard to the accessories and equipment fitted at the time of purchase of the vehicles or in subsequent occasions.
- (d.) Non-registration of the Tipper Vehicle received to the Sabha during the year 2014 even as at 30 March 2015 and not falling in line with the requirements of the Sabha and non-deployment of the vehicle for a useful work, due to lack of drivers.

3.3 Transactions without Authority

Rates in Arrears amounting to Rs. 78,332 had been written-off to the Accumulated Fund through the Sabha Decision No. 29 dated 17 November 2014 and the Sabha Decision No.14 dated 26 September 2014. Although the approval of the Minister should be obtained in terms of Section 182 of the Pradeshiya Sabha Act No. 15 of 1987 for the Sabha sanction for waiver of a sum exceeding Rs.50, action had not been taken accordingly.

3.4 Transactions without Authority

Following observations are made.

- (a.) Although the responsibility of checking the Daily Receipts Register of the Shroff with the daily transactions registers had been assigned to the Chief Management Assistant, it was revealed that function is not properly taking place. Although it was pointed out this improper position prevailing with regard to duties of the Shroff should be seriously considered and should be subject to serious attention, it had not been rectified. Under this situation, the risk of occurrence of errors and frauds could not be ruled out in audit.
- (b.) It had not been possible to recover loan balances in arrears amounting to Rs.64,173 outstanding to be recovered from 12 officers who were in service of the Sabha.

- (c.) Although the purchase of street lamps and equipment valued at Rs. 679,400 had been made during the year under review at the requests of the Chairman and the approval of the Sabha, prior recommendations relating to the necessity and the understanding made with the Ceylon Electricity Board for fixing street lamps were not furnished to audit. While a Register relating to street lamps had not been maintained, a direct supervision had not been exercised with regard to the maintenance of street lamps.

3.5 Contract Administration

Following observations are made.

(a.) Concreting the Bogaha Athura Road

An agreement valued at Rs.1,401,973 had been entered into with the Karandaketiya Farmers Society on 02 October 2014 for this work, on the basis of an estimate of Rs.1,423,000 approved and implemented under the provisions of the Ministry of Local Government and Provincial Councils of the Sabaragamuwa Provincial Council to accomplish this work within 03 months. Payments amounting to Rs. 1,232,857 had been made for applying 85.73 cubes of concrete mixture of 1:2:4 according to Item 02 of the work in the estimate, without obtaining quality test reports. In digging two places of the road physically at the time of audit inspection in April 2015, the concrete mixture got loosen easily. Accordingly, it was observed that the sum of Rs.1,232,857 paid for this item of work had been for a work not performed up to the standard.

(b.) Construction of Eradumandihena Culvert

An agreement valued at Rs.980,747 had been entered into with the Karandaketiya Farmers Society on 11 September 2014 for this work, on the basis of an estimate of Rs.995,459 approved and implemented under the provisions of the Ministry of Local Government and Provincial Councils of the Sabaragamuwa Provincial Council to accomplish this work within 03 months. It was revealed at the physical inspection carried out in April 2015 that the foundation and the

Stone wall made on the two sides of this culvert had not been constructed to the proper standard and due to that, the wall had got washed off and broken and the concrete layer had been broken down to the water way due to rain fall took place after about 1 ½ months. Accordingly, the entire amount spent for this Project had become a fruitless expenditure incurred for an unsuccessful Project which had not accrued any benefit.

(c.) Development of Inginigahagoda Wewa Road by Spreading Gravel

An agreement valued at Rs.966,438 had been entered into with the Karandaketiya Farmers Society on 12 September 2014 for this work, on the basis of an estimate of Rs. 980,935 approved and implemented with the provisions of the Chief Ministry under “From Door to Door from Village to Village “Rural Roads Development Programme of the Sabaragamuwa Provincial Council to accomplish this work within 03 months. At the physical inspection carried out in April 2015 it was revealed that the road had not been properly compressed with 10 Tons Road Roller as mentioned in the estimate, that buffalos had gone on the road and the rain fall had occurred within a short period after development of the road causing a heavy water flow along road. Due to these reasons gravel used in the road had been eroded to a very high extent. Accordingly, the entire amount Rs.849,439 spent for this work had become a fruitless expenditure which had not accrued any benefit.

(d.) Development of Roads by Spreading Gravel

It was observed at the time of audit inspection carried out in April 2015 that the roads developed by spreading gravel had been in ramshackle condition due to reasons such as inadequate compression of the roads, improper provision of drains on two sides of the roads, use of soil not up to the laid down standard with regard to 05 roads performed utilizing Sabha funds and provisions of the Chief Ministry at an estimated value of Rs. 3,194,822. Specially, there had not been any certification with regard to the standard of the soil used and soil mixed with garbage had been used in place of gravel in the absence of quality tests. Due to

that, a number of places in the roads had been muddy and dilapidated making it difficult perform journey. It was further observed that gravel had been washed away due to rain water flow along the road in the absence drain on two sides of the road due to non-settlement of road limits and lack of adequate space.

3.6 Solid Waste Management

Disposal of garbage getting accumulated in the Sabha limit are done in Kandurugasarra area in collaboration with the Embilipitiya Urban Council. Garbage accumulated is only dumped into an open land as the Garbage Recycling Project belongs to the Embilipitiya Urban Council is not in operation at present. While re-operation of that Garbage Recycling Project getting delayed continuously, it was revealed that there was a risk of washing away the garbage dumped to the Chandrika Wewa during the rainy season.

4. Accountability and Good Governance

4.1 Budgetary Control

- (a.) While transfer of provisions for 06 items of expenditure to other items of expenditure and getting provisions out of other items of expenditure had been made due to making provisions without proper planning, further savings amounting to Rs. 1,121,468 was observed.

- (b.) While provisions amounting to Rs. 2,411,900 connected with 03 items of expenditure had been transferred to other items of expenditure, provisions amounting to Rs. 2,799,540 had been obtained again for those items of expenditure through Supplementary Estimates. Under these circumstances, it was observed that the budget had not been made use of as tool of financial management.

5. Systems and Controls

Special attention is needed in the following areas of controls.

- (a) Accounting
- (b) Budgetary control
- (c) Revenue Administration
- (d) Assets Management
- (e) Contracts Administration
- (f) Solid Waste Management