

Imbulpe Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 16 March 2017 and the financial statements for the preceding year had been presented on 23 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 25 August 2017.

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 Imbulpe Pradeshiya Sabha as at 31 December 2016 and its financial performance and cash flows 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 02 cases filed in the District Courts, Balangoda against 2 persons by the Sabha in respect of arrears of water charges and arrears of taxes totalling Rs.85,420 had not been disclosed in the financial statements.
- (b) As per the creditors ledger as at 31 December of the year under review, the expenditure creditors amounting to Rs.11,741,024 had been brought to account as Rs.12,320,823.

- (c) The balance of the accumulated fund and shortages account amounting to Rs.24,262,156 as at 31 December 2016 had been shown as Rs.24,339,791 in the statement of financial position.
- (d) The value of the “Siever” machine amounting to Rs.300,000 given to the Solid Waste Management Centre by the “Pilisaru” Solid Waste Management Programme had not been brought to account.
- (e) The contribution made by the Government for the interest of the housing loans of the year under review amounting to Rs.96,984 had not been brought to account as an income and expenditure of the year.
- (f) The library books removed off as per the recommendations of the Board of Survey Report in the year 2016 amounting to Rs.9,546 had not been adjusted in the accounts.
- (g) Hundred and thirty eight library books valued at Rs.39,998 received as donations during the year under review had not been brought to account.
- (h) A sum of Rs.1,431,938 incurred for constructions and improvements of the Sabha in the year under review had not been capitalized.
- (i) The individual balances in the miscellaneous deposits register totalling Rs.1,918,562 had been brought to account as Rs.7,282,139 in the miscellaneous deposits control account.
- (j) The balances of the advance register totalling Rs.8,148,962 had been brought to account as Rs.6,976,819 in the advance control account.
- (k) The difference of Rs.77,691 between the staff loan control account and the total of the individual loan balances of the employees loan register had been adjusted to the accumulated fund.

1.3.2 Accounts Receivable

The following matters were observed.

- (a) Acreage tax recoverable amounting to Rs.78,200 as at 31 December 2016 had not been recovered even by July 2017.
- (b) Out of the arrears of water charges amounting to Rs.2,911,034 for the year under review and for the previous years, a sum of Rs.2,110,750 or 73 per cent had not been recovered even by July 2017.

1.3.3 Lack of Evidence for Audit

The Register of Fixed Assets, detailed schedules and the reports of the age analysis had not been furnished to audit to ensure 04 items of fixed assets shown in the financial statements and other 02 items of accounts respectively.

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

The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions

Non-compliance

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

- (i) F.R.141 (2)

Action had not been taken to initial the counterfoils of the cheques in 10 instances in respect of payments totalling Rs.377,588.

(ii) F.R. 371 (5)

One hundred and twenty eight sub-impressts totalling Rs.8,148,962 issued from the year 2012 up to the year 2016 had not been settled even by July 2017.

(iii) F.R. 395 (c)

The bank reconciliation statements in respect of the environment current account of the Sabha had not been prepared from the year 2001.

(iv) F.R. 571

Necessary action had not been taken to prepare lists of deposits at the close of each half year for the balance of Rs.7,282,139 existed as at 31 December 2016 and action had not been taken on “lapsed” deposits unclaimed.

(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules

(i) Rule 96

The vouchers had not been prepared in settlement of 03 advances totalling Rs.175,000.

(ii) Rule 185

Even though, a balance more than Rs.1,000,000 had existed at each month from January to December 2015 in a current account maintained by the Sabha, those money had not been invested in fixed deposits.

- (c) Section 36 of the Direction of Local Government Pensions 1975 Action had not been taken to pay Local Government Pensions contributions totalling Rs.160,708 payable to the Department of Pensions by the Sabha to pay pensions for the pensioners of the Local Government Service retired before 03 September 1993.
- (d) Paragraphs 3.1 and 3.2 of Public Finance Circular No.01/2012 dated 05 January 2012. Twenty contracts which estimated value at Rs.9,213,049 had been awarded without following the requirements which should be followed in selection of a contractor.
- (e) Public Finance Circular No.02/2015 dated 15 July 2015 and the Letter of the Secretary to the President No.PCMO/PR/2013 dated 05 June 2013. Action had not been taken to dispose a motor cycle and a cab vehicle which had remained in a condemn position.

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 2016 amounted Rs.8,811,194 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.9,615,154 indicating a deterioration in financial results by Rs.803,960 as compared with the preceding year.

2.2 Revenue Administration

The following matters were observed.

(a) Rates and Taxes

The arrears of rates and taxes in respect of the year under review and preceding years amounting to Rs.37,540 had not been recovered even by July 2017.

(b) Stamp Fees

Action had not been taken to identify the stamp fees receivable for the period from January 2015 to December 2016 and to recover from the Chief Secretary of the Provincial Council even by July 2017.

(c) Court Fines

Action had not been taken to recover the court fines amounting to Rs.490,325 recoverable from May to December 2016 from the Chief Secretary of the Provincial Council even by July 2017.

3. Operating Review

3.1 Management Activities

Even though, a finger print machine had been used to support of the arrival and departure of 49 persons of the cadre from the year 2015, that was not utilized as a methodology of the internal control system of the Sabha.

3.2 Contract Administration

The following matters were observed.

- (a) Even though, a portion of the concreted road surface of 7.7 meters length and 1.5 metres width of the road in the waste management premises of kapokwatta completed in the month of February 2016 had broken and pushed off outside of the road, action had not been taken to repair that even by July 2017.

- (b) An agreement had been signed on 11 September 2014 at a contract value of Rs.980,000 for the construction of the Ratmalawinna Multi- Purpose Building. After making payments of Rs.255,045 for the construction of the foundation of the building and 21 concrete columns, the constructions had been terminated from December 2014. That expenditure had become fruitless as the premises were covered by shrubs and the iron bars of the top of the concrete column had corroded.

3.3 Idle and Underutilized Assets

Two vehicles of the Sabha valued at Rs.3,450,000 had remained idle since the period ranging from 02 years to 04 years.

3.4 Human Resources Management

The following matters were observed.

- (a) The post of the Secretary of Super Grade of the Management Assistant Service had remained vacant and an officer of the Public Management Service Grade I had been appointed to act in the post of the Secretary from May 2014.
- (b) As action had not been taken to fill 08 vacancies in 02 posts of Revenue Inspectors, 02 posts of Ayurveda Dispenser and Health Labourer and vacancies in the posts of Librarian, Development Officer, it had been difficult to execute the relevant functions and duties efficiently and effectively.

3.5 Solid Waste Management

- (a) A methodology had not been prepared to dispose the waste to the environment favourably about 90 tones approximately which could not be recycled out of the annual waste collection to the Solid Waste Management Centre of the Sabha and the waste had been disposed of for ground filling and also burned.

- (b) A Solid Waste Management Centre had been constructed in a place named as “Ry Kapokwatta” by incurring a sum of Rs.8,864,327 under the grant of the “Pilisaru” National Solid Waste Management Project of the Central Environmental Authority and completed the work on February 2016. Nevertheless, a methodology to use decayable waste collection of 720 tones to this centre annually for production of organic fertilizer had not been made even by June 2017. As such the objective of the project had not been achieved.

4. Good Governance and Accountability

4.1 Budgetary Control

The estimated provision for the recurrent expenditure of the Sabha during the year under review amounted to Rs.46.51 million and the actual expenditure amounted to Rs.32.33 million, thus the provisions of Rs.14.18 million or 30 per cent out of that had not been utilized. The estimated provisions for capital expenditure amounted to Rs.1.77 million but the actual expenditure amounting to Rs.6.37 million. Therefore, the provisions had been utilized exceeding the provisions by Rs.4.60 million or 260 per cent. Even though, a revenue amounting to Rs.50,000 had been estimated from the rent of the machineries belonging to the Sabha during the year under review, no action whatsoever had been taken to earn income from that. Thus, it was observed that the Budget had not been made use of as an effective instrument of management control.

5. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

System

Observation

(a) Accounting

(i) Not updated the Register of Fixed Assets.

(ii) Understatement and overstatement of the income, expenditure and assets, liabilities in the accounts.

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| (b) Budgetary Control | <ul style="list-style-type: none"> (i) Considerable savings in the expenditure provisions. (ii) Non-recovery of estimated revenue. (iii) Non-preparation of supplementary estimates. |
| (c) Revenue Administration | Non recovery of arrears of revenue. |
| (d) Motor Vehicle Control | Idling of Motor Vehicles. |
| (e) Human Resources Management | Action not taken to fill vacancies. |
| (f) Solid Waste Management | <ul style="list-style-type: none"> (i) Not disposing of waste regularly. (ii) Non-execution of objectives of Solid Waste Management Centre. |
| (g) Contract Administration | <ul style="list-style-type: none"> (i) Non-completion of work as per plan. (ii) Non-maintenance of constructions properly. |