

# Ibbagamuwa Pradeshiya Sabha

## Kurunegala District

### 1. Financial Statements

#### 1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 29 March 2017 while Financial Statements relating to the preceding year had been submitted on 18 April 2016. The Auditor General's Report relating to the year under review was sent to the Secretary of the Sabha on 04 August 2017.

#### 1.2 Qualified 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 Ibbagamuwa Pradeshiya Sabha as at 31 December 2016 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 Weaknesses in Presentation of Accounts

The values of the Income and Expenditure Account (statement of financial operation) presented for the year under review, had not been presented in comparison with the amounts of the preceding year.

##### 1.3.2 Accounting Deficiencies

The following matters are observed.

- (a) The elimination of library books valued at Rs.69,613 by a journal entry had been debited to the Accumulated Fund Account instead of debiting to the Revenue Contribution to Capital Outlay Account.
- (b) Out of the sum of Rs.312,863 "debited" to the Accumulated Fund through a journal entry, only a sum of Rs.289,063 had been taken into that account.
- (c) Provisions had not been made in the financial statements for audit fees payable for the year under review.

##### 1.3.3 Unreconciled Control Accounts

Even though the expenditure creditors as at the end of the year under review amounted to Rs.7,978,264 according to the account presented, it was Rs.5,137,169 according to the Register of Creditors, thus observing a difference of Rs.2,841,095.

#### **1.3.4 Accounts Receivable and Payable**

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The following matters were observed.

##### **(a) Accounts Receivable**

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The balances of accounts receivable as at 31 December 2016 totalled Rs.100,761,507 and the balances lapsed for over a period of one year totalled Rs.27,581,104.

##### **(b) Accounts Payable**

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The value of balances of accounts payable as at 31 December 2016 amounted to Rs.53,414,140 and the Sabha had not taken action to pay other liabilities payable, except deposits that should be retained for a certain period.

#### **1.3.5 Lack of Evidence for Audit**

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The following matters are observed.

(a) Schedules, age analyses and detailed information relating to 13 Items of Accounts valued at Rs.21,169,434 had not been made available to audit. As such, they could not be satisfactorily examined in audit.

(b) Details relating to Rs.23,800 “debited” to the Sundry Deposits Account had not been mentioned in Journal Entry No.17.

## **02 Financial Review**

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### **2.1 Financial Results**

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According to the Financial Statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.40,131,517 as compared with the corresponding excess of revenue over recurrent expenditure of the preceding year amounting to Rs.9,220,563, thus indicating an improvement of Rs.30,910,954 in the financial result.

### **2.2 Analytical Financial Review**

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The increase in recurrent revenue by Rs.9 million and the decrease in recurrent expenditure by Rs.22 million in the year under review as compared with the preceding year had mainly attributed to the improvement of the financial result.

### **2.3 Revenue Administration**

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#### **2.3.1 Performance in Collection of Revenue**

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The estimated revenue of the year under review amounted to Rs.114,003,287 while the actual revenue was Rs.129,735,065. However, the collection of revenue was at a weak level. As

such, revenue receivable as at 31 December of the preceding year amounting to Rs.45,205,553 had increased to Rs.70,622,376 as at 31 December of the year under review.

### **2.3.2 Rates**

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The following matters are observed.

- (a) Action had not been taken to recover rates and taxes duly gazetted by identifying newly developed areas within the limits of the Pradeshiya Sabha and the newly developed areas had been gazetted for the last time by identifying, only 30 years ago.
- (b) According to the Rates and Tax Account as at 31 December 2016, a sum of Rs.5,672,677 had been in arrears and the Sabha had not taken action to recover the said amount.

### **2.3.3 Lease Rent**

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The following matters are observed.

- (a) Meat Stall No.2 of Thiththawelgala had been leased out for a sum of Rs.231,510 in the year 2015 and out of that, a sum of Rs.131,189 had been in arrears by October 2016. Despite having entered into agreements to use this asset as a meat stall by calling tenders for a sum of Rs.421,100 in the year 2016, the relevant tenderer had applied for a permit for a cattle slaughterhouse and taken legal action against the Sabha and evaded paying the lease rent receivable to the Sabha as well.
- (b) Two meat stalls bearing numbers 01 and 02 of Thiththawelgala are located in the same area and the No.01 and No.02 meat stalls had been tendered for sums of Rs.70,000 and Rs.421,000 respectively in the year 2016. The No.01 meat stall of Thiththawelgala had been tendered for a less amount as compared with the No.02 meat stall and the minimum bid had been increased by only a sum of Rs.14,000 during the recent past 05 years.
- (c) In the comparison of the minimum bid decided for the year 2016 with the minimum bid for the year 2012, in leasing out assets, the decrease of the minimum bid of 05 assets within 4 years or the increase by only a very low value had adversely affected the improvement of sources of income of the Sabha.
- (d) Action had not been taken even in the year 2016 to recover the relevant total amount by computing the sum of Rs.357,909 relating to 5 properties leased out on annual tenders and the penalties thereon.
- (e) According to procurements invited on 08 April 2013, action had been taken to rent out 07 stalls on pre-payment scheme at the Melsiripura bus station for an assessment value of Rs.8,565,263 and according to conditions, 50 per cent of the tender amount should be paid within 14 days and the remaining 50 per cent within 06 months by instalments. However, action had not been taken even by 31 December 2016 to recover a sum of Rs.4,280,191 recoverable as pre-payment to the Sabha. Moreover, the Sabha had not taken action to recover the rent relating to the stalls.

#### **2.3.4 License Fees**

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The following matters are observed.

- (a) In terms of Section 149 of the Pradeshiya Sabha Act annual tax can be charged from the annual revenue of hotels registered in the Tourist Board within the area of authority of the Sabha. However, action had not been taken to recover tax relating to a period within 6 to 18 years.
- (b) According to the survey carried out in the year 2016 within the area of authority of the Head Office of the Pradeshiya Sabha, 736 businesses had been identified. Nevertheless, annual license fees of only 432 business institutions out of them had been paid as at 30 October 2016.

#### **2.3.5 Other Revenue**

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The following matters are observed.

- (a) Action had not been taken to recover the entertainment tax of Rs.39,215 recoverable from a period of over 10 years from the Samanala Cinema Hall located in the city of Melsiripura.
- (b) The stall rent relating to 13 pavement stalls in Ibbagamuwa had been revised in the year 1998 for the last time and the monthly rent had been recovered in previous years on the Decision of the Sabha. As such, the Sabha had been deprived of the actual revenue receivable.
- (c) Seven pavement stalls and 03 stalls in the office premises had been leased out on long term basis and assessment had not been obtained for the rent of these stalls from the Department of Valuation. The annual rent revised as Rs.18,000 at the beginning of the year 2015, had been increased as Rs.12,000 since June 2015 on a Decision of the Sabha and as such, a loss had been sustained by the Sabha.

#### **2.3.6 Court Fines and Stamp Fees**

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Court fines and stamp fees receivable from the Chief Secretary to the Provincial Council as at the end of the year under review amounted to Rs.802,877 and Rs.25,286,306 respectively.

### **03. Operating Review**

#### **3.1 Management Inefficiencies**

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The following matters are observed.

- (a) There had been a lack of a building with space facilities, lack of electricity and adequate shelves to arrange books in order in the public libraries of Warawala/Seeradunna,

Kumbukgate and Hiripitiya and action had not been taken to discard of disposable newspapers. As such, they had been piled here and there. The repairs of the roof of the Public Library, Gokarella had been commenced in the year 2015 and it had not been completed even by November 2016. The Subject Clerk failed to produce the details relating to these repairs such as the estimate, Bills of Quantities, Measuring Notes and bills to Audit.

(b) i. Action had not been taken to provide electricity for Siripurawatte land at Melsiripura blocked out for sale by auction and the blocks of land at Helambagahamulahena in Neketta.

ii In terms of paragraph 07 of Gazette No.1882/22 of 01 October 2014, in every instance a land is blocked out and sold out within the area of authority of the Pradeshiya Sabha the minimum width and the area of a block of land for hostel purposes should be 12 metres and 15 perches respectively. However, block numbers 3 and 4 of the Siripurawatte land at Melsiripura were 13 and 12 perches in extent respectively and in case an internal path is not connected to another path and the end not so connected should be paved as a turning circle with a diameter not less than 09 metres. Nevertheless, in blocking out the lands of Melsiripurawatte and Helambagahamulahena in Neketta, such a circular turning had not been paved.

### 3.2 Identified Losses

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The following matters are observed.

- (a) Action had not been taken even in the year under review to recover the loss of Rs.77,077 relating to 1,029 library books that had been borrowed by external readers of 05 libraries within a period ranging from 02 years to 22 years.
- (b) According to stock books of the Melsiripura Crematorium, a balance of 790 kilogrammes of gas remained as at 02 November 2016 and according to the physical verification, it was only 270 kilogrammes. As such, there was a shortage of 520 kilogrammes of gas.

### 3.3 Idle Assets

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The following matters are observed.

- (a) A photocopying machine and a laser printer valued at Rs.238,800 and Rs.31,500 respectively had been inoperative from about a period of 05 years.
- (b) The toilet constructed for the Warawala/Seeradunna Public Library in the year 2014 had remained closed from the date of construction itself due to lack of water facilities.

### **3.4 Contract Administration**

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The following matters are observed.

- (a) It was confirmed at the physical verification carried out on 23 October 2015 that there was a water leak at the bottom of the water tank which had been constructed by spending a sum of Rs.1,336,545 in the year 2013 for the Nabeta Water Project. Moreover, that water leak had not been repaired even by 02 December 2016.
- (b) The defects in the constructions of the garage for parking of vehicles of the Hiripitiya Sub-office constructed in the year 2014, had not been adjusted even by 02 November 2016 and that garage had not been used for parking of motor vehicles as well.
- (c) The Waduwawa Road had been laid with concrete by spending a sum of Rs.876,704 in the year 2015 and in the physical verification of that road carried out on 02 November 2016, it was observed that the road had cracked in 191'x10'x6" in extent at the centre and that the concrete was coming off. The remaining parts of this road had been laid with concrete in the years 2013 and 2014 and even those parts had been cracked and were coming off at the centre.
- (d) In the inspection of the Malagamuwa Udugodagama Road on 02 November 2016, which was being laid with concrete on an estimate of Rs.1,148,226, it was observed that 20 shovels of sand and 30 shovels of 1 ½ rubble mixed with one bag of cement was being laid and concrete was being laid to a thickness of about 4 inches so that the middle part of the road raised high. Moreover, for the concrete, a fine sand with mud, prepared by washing the soil was being used and 04 Items of Work valued at Rs.55,761 mentioned in the estimate had not been executed. Further, a Technical Officer had not been involved in the supervision of laying concrete.

### **3.5 Solid Waste Management**

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A definite arrangement had not been implemented even in the year under review in respect of solid waste management by the Ibbagamuwa Pradeshiya Sabha, while disposal of garbage collected daily, burying and burning it on private lands had been carried out for many years.

### **04 Systems and Control**

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Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Chairman of the Pradeshiya Sabha from time to time and special attention is needed in respect of the following areas of systems and controls.

<b>System</b> -----	<b>Observations</b> -----
(a) Accounting	<p>Erroneous accounting of fixed assets.</p> <p>Failure in recording journal entries and relating characteristics.</p> <p>Erroneous accounting of current assets and current liabilities.</p> <p>Erroneous accounting of errors in disclosures and revenue.</p> <p>Differences between registers and schedules and accounts and schedules.</p> <p>Non-balancing of cash books and accounts books.</p> <p>Entries with a pencil.</p> <p>Use of correction pen in erasing notes.</p>
(b) Revenue Control	<p>Failure in valuation of property.</p> <p>Failure in taking action in terms of rules to recover outstanding balances receivable.</p> <p>Non-identification of balances outstanding for a long period.</p>
(c) Fixed Assets control	<p>Inefficiencies in the use of assets.</p> <p>Existence of idle and underutilized assets.</p> <p>Non-maintenance of Registers of Fixed Assets in an updated manner.</p> <p>Failure in assessing the value of land assets.</p>
(d) Implementation of Projects	<p>Errors in preparation of estimate.</p> <p>Non-identification of public requirements.</p> <p>Lack of supervision at the implementation of projects and follow up action.</p>
(e) Waste Management	<p>Failure in taking action to dispose of waste collected daily within the area of authority of the Sabha in an ecofriendly manner.</p>