

**Imaduwa Pradeshiya Sabha
Galle District**

1. Financial Statement

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented for audit on 28 March 2018, and the report of the Auditor General on these financial statements was issued to the Chairman on 31 August 2018.

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 Imaduwa Pradeshiya Sabha as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles..

1.2 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following deficiencies were observed,.

- (a) Capital aids of Rs.267,583 received for development of community water project, Horamadulla, Kombala completed during the year under review had not been brought to account.
- (b) Capital aids totalling Rs.12,859,948 payable for an industry not undertaken during the year under review and two industries due to be undertaken during the year 2018 had been brought to account under capital aid.
- (c) No provisions had been made in the financial statements for audit fees payable for the year under review.

1.3.2 Unreconciled Accounts

Total of variance between balances related to 06 items of accounts totalling 62,117,502 shown in the financial statements and balances appeared in related supportive documents was Rs.55,258,189.

1.3.3 Accounts Receivable and Payable

Accounts Receivable

Action had not been taken to recover 08 accounts balances of Rs.213,582 even during the year under review.

1.3.4 Lack of Written Evidence for Audit

Non Presentation of Information for Audit

Due to non presentation of required information, it was not possible to verify at auditing 07 items of account amounting to Rs.138,178,383.

1.3.5 Non-Compliance with Laws, Rules, Regulations and Management Decisions

Instances relating to non-compliance with laws, rules, regulations and management decisions are given below;

Reference to laws, rules, regulations & management decisions	Value Rs.	Non-Compliance
(a) Pradeshiya Sabha rules (Financial & Administration) 1988		
(i) Rule: 33	-	List of names of individuals who have defaulted the payment of rates & taxed and property forfeiting warrant lists had not been prepared.
(ii) Rule 59	-	Neither conducted survey on industries within the area of authority of the Sabha nor prepared a list on the same.
(b) Financial Regulation of the Democratic Socialist Republic of Sri Lanka		
FR 571(1)(2)	4,926,802	No action had been taken to bring deposit balances over 02 years as at 31 December 2017 to revenue.

1.3.6 Transactions not established Through Sufficient Authority

The following observations were made.

- (a) The sum of Rs.23,251,988 brought into account as Capital Aids receivable from 2013 to 2016 not adhering to due procedure leading to having the approval of the Minister in charge of the subject had been deleted against profit of the year under review. Similarly the sum of Rs.24,098,739 brought to account as capital aids payable from 2013 to 2016 through Journal Entry 25 had been adjusted to profit.
- (b) A sum of Rs.46,714 had been spent on Local Government Sport Meet without due approval.

2. Financial Review

2.1 Financial Results

According to financial statements presented for auditing the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2017 amounted to Rs.3,843,369 as compared with the excess of the recurrent expenditure over revenue for the preceding year amounted to Rs.4,014,609.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Revenue in Arrears

Information relating to estimated revenue, billed revenue, collected revenue and revenue in arrears presented in respect of the year under review and the preceding year are as follows;

Sources of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.	Estimated Revenue	Billed Revenue	Collected Revenue	Total in arrears as at 31 Decem.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates & Taxes	151,200	123,209	300,260	248,391	151,200	123,109	184,601	352,275
Lease Rent	3,100,000	3,139,202	3,154,202	-	2,350,000	2,478,487	2,494,487	-
Licence fee	200,000	153,700	170,900	152,466	1,800,000	102,100	114,650	159,916
Other Revenue	2,900	-	21,106	-	2,000	-	45,217	-
	<u>3,454,100</u>	<u>3,416,111</u>	<u>3,646,468</u>	<u>400,857</u>	<u>4,303,200</u>	<u>2,703,696</u>	<u>2,838,955</u>	<u>512,191</u>

2.2.2 Performance in Revenue Collection

Estimated Revenue of the year under review was Rs.3,454,100 while Billed Revenue had been Rs.3,416,111. Although the recoverable amount with opening balance of Rs.512,191 had been Rs.3,928,302 the collected revenue during the year amounted to 3,646,468. Accordingly arrears of income at the end of the year was Rs.400,857.

2.2.3 Rates and Taxes

The following observations were made.

- (a) Out of the rates and taxes of Rs.423,836 recoverable for the year under review and the preceding year, 47 percent had not been recovered.
- (b) Since 1999 no assessment had been made and therefore the Sabha had been deprived of a considerable amount of rates and taxes that had been receivable.
- (c) The Sabha had not paid its attention to identify developed areas with the approval of the Asst.Commissioner as per Section 134(1) and (2) of the Pradeshiya Sabha Act No.15 of 1987 and to recover rates and taxes accordingly.

2.2.4 Acre Tax

Out of the acre tax of Rs.67,891 recoverable for the preceding year as well as the year under review, only Rs.18,170 equivalent to 26% had been recovered. Therefore arrears at the end of the year amounted to Rs.49,721.

2.2.5 Licence Fees and Business Taxes

Value of Licence fees and Business Taxes recoverable for the year under review and preceding years amounted to Rs.325,116 and Rs.1,172,300 respectively. Recovery rate of Trade Licence fees and Business Taxes was 53 percent and 63 percent respectively. However no action had been taken by the Sabha to recover arrears of taxes at the end of the year.

2.2.6 Court fines and Stamp Fees

A sum of Rs.16,354,807 and a sum of Rs.2,017,996 were recovered as stamp fees and court fines respectively as at 31 December 2017 from the Chief Secretary and other Authorities of the Provincial Councils.

3. **Operating Review**

3.1 **Performance**

Matters revealed in the fulfillment of activities which were to be performed by the Sabha with regard to streamlining and maintaining of public health, common utility services and public roads as well as satisfaction and welfare of the people under Section 3 of the Pradeshiya Sabha Act are as follows;

(a) Delaying of Project

- (i) Although Provincial Governor's Secretary by his letter No.G/SA/16/2-259 DATED 02 October 2017 had directed to undertake restoration of the Kaluwala main Street, Beddagedara, Pahalawatta which was not at running condition, repairs had not been undertaken even by 09 May 2018.
- (ii) Although estimates have been prepared a sum of Rs.1,000,000 to construct a sanitary ditch system for Imaduwa town and & sum of Rs.1,000,000 for solid waste management to be completed as at 31 December 2017 under Provincial Specific Grants, those projects had not been undertaken even by May 2018.

(b) Solid Waste Management

The Pradeshiya Sabha had not its own formal arrangement for waste management and waste were being dumped on to a ¼ Acre portion of the land of Acre 10 which was called "Horatota Kanda" on which the following observations are made.

- (i) A decaying waste of around 01 Ton being collected per day were being dumped into pits and they were covered with soil.
- (ii) Non decaying waste had been stored in 02 stalls in the Trade Complex of Imaduwa and the Sabha had earned an income of Rs.3,200 from the sale of these non decaying waste in 2017.
- (iii) The Sabha did not have a formal method for disposing of waste and waste were being dumped on to the land for which no environmental license obtained.

(c) Sustainable Development Targets

The Sabha had not prepared long-term plans for enhancing living standard and health of the people in the area of authority of the Sabha through global indicators for sustainable development goals and targets in the Ajenda 2030 for sustainable development.

3.2 Management Inefficiencies

The following observations were made.

- (a) As the Sabha had not taken action on street lighting of Local Government Institutions in terms of provisions of the Circular No.PE/01/01 dated 17 August 2010 issued by the Secretary, Ministry of Power and Energy it had not been possible to get the electricity bill on 2000 street lamps maintained by the Sabha reimbursed.
- (b) Cab owned by the Sabha was met with an accident on 02 October 2017, report on which had not been submitted even by 09 May 2018 in terms of FR 104(3) and FR 104(4). Besides the loss caused had not been entered in the loss/damages register as per FR 110.

3.3 Human Resources Management

The following observations were made.

- (a) As per cadre plan 28 employees were available in excess of the approved cadre while 12 were in posts not approved, the number of excess employees totalled to 40 and there were 05 vacant posts. However no attention had been paid neither to formalize excess staff nor to fill vacancies.
- (b) A sum of Rs.2,998,463 had been spent out of the Sabha Fund for the payment of salaries and allowances of 12 employees recruited on casual, temporary, substitute and contract basis.
- (c) Neithr Crematorium Operator nor Operation Assistant had been employed for the Crematorium maintained in Horatota Kanda land, Mawanella since 2015.
- (d) As per approved cadre plan of the Sabha no vacancies were available in the Post of Office Labourer. However a female employee had been recruited and engaged in the post of Office Labourer from 24 October 2014 to July 2018 and duties of the post of Management Assistant belonging to secondary segment had been entrusted to her.
- (e) A sum of Rs.8,185 were recoverable from 03 employees who vacated their posts and Rs.78,134 from 03 officers who obtained transfers in 2012, 2013 and 2015 which were included in the staff loan balance of Rs.4,746,437 as at 31 December of the year under review.

3.4 Asset Management

3.4.1 Assets not Transferred

The following observations were made.

- (a) No action had been taken even at the end of the year under review to transfer the ownership of the Cab valued at Rs.1,100,100 being utilized by the Sabha..
- (b) When the Habaraduwa Pradeshiya Sabha area devided into two as Habaraduwa and Imaduwa Pradeshiya Sabhas, a Cab was made available, the ownership of which had not been transferred to Imaduwa Pradeshiya Sabha. Although the repairing of this cab was entrusted to a Mechanical Engineer, the report relating to the repairs had not been made available and the vehicle was remaining parked idle.

3.4.2 Idle and Under Utilized Assets

The following observations were made.

- (a) The Tipper given to the Sabha on 20 December 2014 from the Ministry of Public Administration, Provincial Councils, Local Government and Democratic Governance had been parked idle from the date it was made available.
- (b) 03 Tractors owned by the Sabha were not in the running condition. However action had not been taken to remove them from use in terms of provisions in the Treasury Circular No.02/2015 dated 10 July 2015.

4. Accountability and Good Governance

4.1 Budgetary Control

A considerable variance as indicated below was observed between budgetary and actual income/expenditure during the year under review. Therefore it was observed that the annual budget had not been adopted as effective financial management controlling michanism.

- (a) Savings of Rs.10,651,665 were appeared in 07 items of expenditure, percentage of which ranged between 01 percent to 60 percent.
- (b) The total of the revenue of non-achieved targets of 07 items of expenditure amounted to Rs.19,982,314, value of which ranged between 19 percent to 75 percent.

4.2 Internal Auditing

Although an Internal Auditor had been appointed by the Sabha, a sufficient internal auditing had not been carried out.

4.3 Implementation of Audit and management Committees

Action had not been taken even at the end of the year under review to establish Audit and Management Committees in terms of the provisions of the Audit Management Committee Circular No.DMA/2009(i) dated 09 July 2009.

4.4 Non-resolved Audit Paragraphs

Although the Sabha had agreed to correct deficiencies pointed out through Paragraphs 2.2.3(a) and (d), 2.2.5 (a) and (b) of the Auditor General's Report for the preceding year, no action had been taken to correct the same even at the end of the year under review.

5. Systems and Control

Shortcomings observed at auditing were brought to the notice of the Chairman of the Sabha from time to time and special attention shall be paid to the following areas of control.

System	Defect
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(a) Accounting and keeping up documents	(i) Non taking of action for the settlement of account balances
	(ii) Availability of variance between financial statements and schedules.
	(iii) Document had not been maintained.
(b) Fixed Assets	Detailed and formal fixed assets register had not been maintained.
(c) Vehicle Controlling	(i) Certain vehicles having been kept idle.
	(ii) Non adherence to FR in dealing with vehicle accidents

- (d) Revenue Collection
 - (i) Unusual delay experienced in recovering revenue in arrears.
 - (ii) Surveys had not been held on increasing annual revenue.
 - (iii) No attention had been paid on new channels of revenue generation.

- (e) Staff Management
 - Action had not been taken to regularize Cadre Plan.