

Balangoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 19 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 20 July 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 Balangoda Pradeshiya Sabha as at 31 December 2017 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 Accounting Deficiencies

The following matters were observed.

- (a) The value of 16 lands belonging to the Sabha included in the Register of Fixed Assets as at 31 December 2017 had not been assessed and brought to account.
- (b) Without being prepared the journal vouchers and journal entries during the year under review, sums totalling Rs.20,313,692 relating to 14 accounts of receivables, received-in advance and closing stocks had been brought to account.
- (c) Twenty five children's plastic chairs which were inventorised valued at Rs.9,625 had been shown as closing stocks.
- (d) The opening stock of stationery amounting to Rs.36,694 and closing stock of stationery amounting to Rs.24,895 had not been brought to account.
- (e) A sum of Rs.994,980 payable for the repairs of Damahana Crematorium in the year under review had not been brought to account.

- (f) Business tax receivable from 04 telecommunication transmission towers amounting to Rs.12,000 relating to the year under review had not been brought to account.
- (g) Two cheques issued totalling Rs.9,540 had been debited to the expenditure pay back account in taking into revenue due to elapsed of the time period.
- (h) The staff loans installements over recovered from 3 employees totalling Rs.12,500 had not been brought to account as liabilities.
- (i) The receivables from wind power station relating to the year under review amounting to Rs.63,690 had not been brought to account.

1.3.2 Accounts Receivable and Payable

(a) Accounts Receivable

The following matters were observed.

- (i) Necessary action had not been taken even by March 2018 to recover the acreage tax receivable amounting to Rs.14,037 remained brought forward for over a period of 06 years as at 31 December 2017.
- (ii) Necessary action had not been taken even by March 2018, to recover trade licence fees recoverable amounting to Rs.96,100 brought forward for over a period of 09 years as at 31 December 2017.
- (iii) Action had not been taken even by March 2018 to recover lease rent of trade stalls of Wellioya amounting to Rs.16,818 receivable for the period from the year 2011 to 2013.
- (iv) Lease rent receivable from the year 1996 amounting to Rs.43,350 with regard to 09 blocks of land belonging to the Pradeshiya Sabha in the area of Yahakalu Mookalana given on lease for occupation had not been recovered.

(b) Accounts Payable

Action had not been taken even by March 2018 to settle 06 expenditure creditor balances totalling Rs.288,895 in respect of the years 2009, 2012, 2015 and 2016.

1.3.3 Lack of written Evidence required for Audit

The following matters were observed.

- (a) Twelve items of accounts totalling Rs.142,362,930 could not be satisfactorily verified in audit due to non-submission of required information.
- (b) The journal vouchers for 27 journal entries totalling Rs.130,986,164 had not been furnished.

1.3.4 Non-compliances

1.3.4.1 Non-compliance with Laws, Rules, Regulations and Management Decisions

The following non-compliances were observed in audit.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
<hr/>	<hr/>	<hr/>
(a) National Environmental Act No.47 of 1980 as amended by Acts No.56 of 1988 and No.53 of 2000.	Rs. -	Action had not been taken to examine the operations of 03 industries of which the valid period from the year 2010 up to the year 2013 had ended and to renew the licences as per the requirement. In addition to that a survey relating to the industries newly commenced from the year 2015 had not been carried out even by March 2018.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules		
(i) Rule 14	6,514,077	A supplementary estimate had not been prepared for the expenditure of 06

projects of which not covered from the budget and the approval of the operations committee had not been obtained.

(ii) Rule 143

- Action had not been taken to balance the ledger monthly in respect of the deposits of each class and to adjust the total of that balance with the balance of the main ledger account.

(iii) Rule 178(6)(5)

- As the decision of the Sabha, a Register of Defaulted Contractors who breached the conditions had not been maintained.

(iv) Rule 214

125,490 An annual survey in respect of the stock of the working stores as at 31 December 2017 had not been carried out.

(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.

(i) Financial Regulation 262(2)

1,927,695 Even though, the “paid” seal should be stamped on the face of the vouchers and on the documents which ensured the payments the

			action had not been taken in terms of said provisions in respect of 17 payment vouchers.
(ii)	Financial Regulations 371(5)	489,589	Thirty five advances issued during the period from the year 1992 to the year 2017 had not been settled even by March 2018.
(iii)	Financial Regulation 571	981,934	Necessary action had not been taken to prepare the lists in respect of 258 unclaimed “Lapsed” deposits remained in the General Deposit Account as at 31 December 2017 and to dispose the deposits.
(iv)	Financial Regulation 574	-	The receipts and issues of the stock registers had not been adjusted and balanced as at the end of each financial year.
(d)	Treasury Circular No.IAI/2002/02 of 28 November 2002.	770,580	A Register of Fixed Assets on Computers and Computer Accessories belonging to the Sabha had not been prepared.

(e) Audit and Management Circular No.2009(1) dated 09 June 2009.	-	Action had not been taken to establish an Audit and Management Committee during the year under review.
(f) Public Finance Circular No.01/2012 dated 05 January 2012 Section 3.1	11,428,993	Action should have been taken to check qualifications of the Community Based Organization through a committee of 3 persons comprised with 2 representatives nominated by the Executive Engineer and the Divisional Secretary of the area. Nevertheless, action had not been taken accordingly on 20 contracts.
(g) Public Finance Circular No.02/2015 dated 15 July 2015 and the Letter No. PCMO/PR/2013 of the Secretary to the President dated 05 June 2013.	-	Action had not been taken to dispose a cab vehicle, 02 four wheel tractors, 03 two wheel tractors, 04 tractor trailers and 22 parts of tractors which had been in the condemned condition as per the Board of Survey Reports.
(h) Section 36 of the Directives of the Local Government Pensions 1975.	1,011,237	Action had not been taken by the Sabha to pay pensions payable to the

Department of Pensions on behalf of the retired officers of the Local Government Service who retired prior to 03 September 1993.

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 2017 amounted Rs.8,830,848 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.11,957,476.

2.2 Revenue Administration

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

The information with regard to the estimated revenue, billed revenue, collected revenue and the arrears of revenue furnished for the year under review and for the preceding year appears below.

Source of Revenue	2017				2016			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at 31 December
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	1,523,380	1,523,380	2,324,990	253,318	1,438,380	1,438,380	1,648,647	250,585
(ii) Lease Rent	3,553,375	3,553,375	2,188,057	158,343	4,175,955	4,175,955	1,268,775	99,848
(iii) Licence Fees	232,500	232,500	312,310	96,100	264,500	264,500	287,453	109,700
(iv) Other Revenue	71,595,637	71,595,637	46,236,234	14,977,541	68,354,029	68,354,029	48,499,403	15,652,610

2.2.2 Performance in Collection of Revenue

The billed revenue of the lease rent revenue in the year under review had decreased by Rs.622,580 as compared with the previous year.

2.2.3 Rates and Taxes

(a) Rates

The following matters were observed.

- (i) The arrears of rates and taxes amounting to Rs.213,635 as at the end of the year under review including the unrecoverable arrears of taxes amounting to Rs.186,988 had not been recovered even by March 2018.
- (ii) The assessment values made in the year 2005 for 645 units of assessment rates identified within the authoritative area of the Sabha by 31 December 2017, are being recovered from the year 2009 up to now. The Sabha had not paid attention to revise assessment rates through a new assessment in terms of the Circular of the Commissioner of Local Government No.1988/22 dated 17 May 1988 and to increase the revenue from the rates.

(b) Water Charges

The water charges receivable amounting to Rs.14,440 brought forward from the year 2009 had not been recovered even by March 2018.

2.4 Court Fines and Stamp Fees

Action had not been taken to recover the court fines receivable amounting to Rs.1,197,253 as at 31 December 2017, and to identify and recover the stamp fees receivable relating to the year 2015 from the Chief Secretary of the Provincial Council even by March 2018.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities, that should be carried out by the Sabha such as regularize and control over the matters relating to public health, public utility services and public roads and the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act, are given below.

(a) Solid Waste Management

The following matters were observed.

- (i) Action had not been taken to conduct a proper feasibility study and to prepare Solid Waste Management Programmes in respect of the waste management of the authoritative area of the Sabha and it was observed that bio degradable waste and solid waste had been disposed to several places without being separated.
- (ii) Even though, the Sabha had obtained a land in extent of one acre from the Director General of Forest Conservation on annual lease basis of Rs.22,600 in the year 2015 to construct a Solid Waste Management Centre in the place named Anichichiyawatta Hena in the Grama Niladhari Division Godakumbura, that land had been abandoned due to public resistance. Further, necessary action had not been taken to identify another suitable place to dispose the waste.

(b) Sustainable Development Goals

As the Sabha had not known the 2030 Agenda relating to the Sustainable Development Goals, the long term plans to upgrade the livelihood and the health of the people of the authoritative area of the Sabha through global indicators for that objectives even by May 2018.

3.2 Management Inefficiencies

The following matters were observed.

- (a) Necessary action had not been taken to transfer 03 tractors totalling Rs.6,765,000 received to the Sabha during the period from the year 2011 to 2015.
- (b) Necessary action had not been taken even by March 2018 in respect of Security deposits of contracts amounting to Rs.280,711 payable to 69 contractors relating to the period from the year 1994 to 2010.
- (c) The decision taken according to the decision of the Sabha meeting held on 20 June 2015 to make sawn timber from cut and removed Jack trees which were blocked the garage of

the office of the Sabha had not been implemented even by March 2018 and as such the Jack timber of 35.48 cubic metres had remained decaying.

- (d) The Sabha decision taken to fix 02 sets of extinguishers in the Damahana Crematorium in May 2015 had not been implemented even by March 2018.
- (e) Even though, a sum of Rs.200,000 had been accounted as an expenditure to repair the name board of the Damahana Crematorium and the provisions had been made under creditors under the Strengthening of Pradeshiya Sabhas Programme in the year 2015, the respective work had not been executed even by March 2018.

3.2 Human Resources Management

The following matters were observed.

- (a) The post of the Secretary of the Super Grade of the Public Management Service of Tertiary Level had remained vacant and an officer in the Public Management Service Grade I had been appointed by the Commissioner of Local Government for the post of the Secretary from the year 2017 on acting basis.
- (b) Action had not been taken to fill 12 vacancies existed in the posts of Revenue Inspectors, Field Work Supervisor, Ayurvedic Drugs Dispensar, Crematorium Operator, Librarian, Heavy Vehicle Drivers, Health Labourer, Field Work Labourer and Drivers. As such it was observed that difficulties had arised to execute the relevant works and functions efficiently and effectively.
- (c) Even though, the Accounting Officer should segregate and assign the duties among several officers in every possible instance so as to check each transaction by several officers, the duties such as maintenance of cash book, deposits, creditors and advance registers, writing of cheques, preparation of bank reconciliations, accounting records and final accounts had been assigned to one Development Officer.

3.4 Operating Inefficiencies

Block out the Lands and Sales

The following observations are made in respect of 07 lands auctioned from the year 2011 to 2016.

- (a) Action had not been taken to obtain an assessment relating to the actual value of the land blocks to be sold before granting of the approval for the block out plan relating to the land sales.
- (b) Action had not been taken to enter into an agreement including the condition that 1 per cent of the land value will be paid as tax by the seller to the Sabha in respect of 21 lands auctioned from the year 2006 to 2017.
- (c) Action had not been taken to transfer through deeds in respect of 02 acres, 03 roods and 36.14 perches allocated to the Sabha from 6 land auctions from the year 2006 to 2017.

3.5 Transactions of Contentious Nature

The Secretary of the Sabha had approved to print 320 entrance tickets books for the entrance of the Duweli Ella Tourist Zone. In addition to that, 180 books had been printed without the approval of the Sabha. Out of that, 330 books had received to the stores of the Sabha, while the balance amount of 170 books had not been received even by March 2018.

3.6 Assets Management

3.6.1 Idle Assets

The following matters were observed.

- (a) Motor vehicles and machineries totalling Rs.5,265,318 had remained idle for over a period of 3 years.
- (b) Twenty three plastic children's chairs valued at Rs.8,855 had remained idle in the stores since the year 2001.

3.7 Procurements

3.7.1 Contract Administration

Construction of Damahana Crematorium

The Technical Officer who supervised the construction had informed in August 2016, that the bill could not be recommended due to the deficiencies in the final bill amounting to Rs.7,966,556 submitted to the Sabha by the contractual company on 26 January 2016 in respect of the construction of the crematorium and could not be entered into a final agreement in respect of the schedules of special rates (SSR) relating to the burning unit of the crematorium. Nevertheless, necessary action thereon had not been taken even by March 2018.

4. Good Governance and Accountability

4.1 Budgetary Control

The estimated provision for the recurrent expenditure in the year under review amounted to Rs.48.33 million and the actual expenditure amounted to Rs.31.31 million. As such provisions of Rs.17.02 million or 35 per cent had not been utilized. The estimated provision for the capital expenditure amounted to Rs.27.66 million whereas the actual expenditure amounted to Rs.12.78 million thus the provisions of Rs.14.88 million or 54 per cent had not been utilized. Even though, a revenue of Rs.2.7 million had been estimated from the rent of the machineries of the Sabha, the actual revenue only amounted Rs.1.58 million and as such, that revenue had decreased by 42 per cent. Accordingly, it was observed that the budget had not been made use of as an effective instrument of financial control.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Secretary from time to time. Special attention is needed in respect of the following areas of controls.

System

(a) Accounting

Deficiency

- (i) Failure to update Register of Fixed Assets.
- (ii) Understatement and overstatement of revenue, expenditure and assets, liabilities in the accounts.
- (iii) Non-preparation of ledger accounts on revenue and expenditure.

- (iv) Failure to compute the closing stocks and brought to account.
- (b) Budgetary Control
 - (i) Considerable savings on expenditure provisions.
 - (ii) Non-recovery of estimated revenue.
- (c) Revenue Administration
 - Non -recovery of arrears of revenue.
- (d) Human Resources Management
 - (i) Action not taken to fill vacancies.
 - (ii) Non-segregation of duties.
- (e) Solid Waste Management
 - A proper arrangement of waste disposal not available.
- (g) Contract Administration
 - (i) Non-completion of work according to the plan.
 - (ii) Non-maintenance of constructions properly.