

Imbulpe 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 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman of the Sabha 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 Imbulpe Pradeshiya Sabha as at 31 December 2017 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) As per the stock Register as at 31 December of the year under review, the closing stock amounting to Rs.1,496,974 had been brought to account as Rs.1,696,134.
- (b) A sum of Rs.11,006 incurred to purchase of library books in the year under review had been brought to account as expenditure and as such the library books had been understated by similar amount.
- (c) One hundred and ninety four books valued at Rs.87,222 received as donations for 02 libraries during the year under review had not been brought to account.
- (d) The Government contribution for the interest of housing loans received in the year under review amounting to Rs.89,067 had not been brought to account as revenue and expenditure.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) The staff loans as at 31 December of the year under review amounted to Rs.5,337,814 as per the Individual List of Balances while as per staff loans control account it was amounted to Rs.5,273,811.
- (b) The total of the Individual balances of the miscellaneous deposits Register amounted to Rs.1,377,199 whereas the balance of the control account of miscellaneous deposits amounted to Rs.10,307,686 thus a difference of Rs.8,930,487 was shown.
- (c) The total of the balances of Advance Register amounted to Rs.4,510,231 while the balance of the control account of advances relating to that amounted to Rs.7,367,625 thus a difference of Rs.2,857,394 was shown.
- (d) The difference of the balances between creditors control account and the creditors register as at the end of the year under review amounting to Rs.11,439,691 had not been adjusted to the accumulated fund.

1.3.3 Accounts Receivable

The following matters were observed.

- (a) Out of the arrears of water charges amounting to Rs.3,652,412 for the year under review and for the previous years, a sum of Rs.3,177,100 had not been recovered even by April 2018.
- (b) Arrears of garbage charges brought forward since several years totalling Rs.370,250 had not been recovered even by April 2018.

1.3.4 Lack of written Evidence for Audit

The following matters were observed.

- (a) As non-submission of Register of Fixed Assets, Detailed Schedules, Age Analysis Reports and Debtors Register for audit to confirm the balance of fixed assets and the current assets shown in the financial statements, 07 items of accounts totalling Rs.155,425,448 could not be satisfactorily verified in audit.
- (b) Journal vouchers and journal entries relating to 04 accounts of receivables and received in advance totalling Rs.4,222,295 had not been furnished.

1.3.5 Non-compliances

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

The instances of non-compliance with laws, rules, regulation and management decisions are given below.

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
(a) Pradeshiya Sabha Act No.15 of 1987		
(i) Sub-sections 1 (a) and (b) of Section 24		- Action had not been taken either to Gazette the roads belonging to the Sabha or to obtain the details relating to that from the year 2003.
(ii) Section 126(vii)(f)		- The necessary actions had not been taken to impose by-laws in respect of the advertisements hoardings displayed in the authoritative area of the Sabha and to recover fees.
(iii) Section 134		- Action had not been taken even by April 2018 to recover rates and taxes from 06 village areas identified as developed villages areas of the Sabha in the year 2015.
(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules		
(i) Rule 14(1)	12,379,000	Action had not been taken to obtain approval through a supplementary estimate for 11 projects amounting to Rs.12,379,000 executed under Strengthening of Pradeshiya Sabhas National Programme which not included in the Budget for the year 2017.

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| (ii) Rule 143 | 10,307,686 | Action had not been taken to balance the ledger relating to the deposits of each class existed as at the end of the year under review and to adjust the total of that balance with the balance of main ledger account. |
| (iii) Rule 165 | | - Action had not been taken to update the revenue, expenditure, advances, deposits, loans and assets accounts of the main ledger monthly and taking into account. |
| (c) Section 03 of National Minimum Wages of Employees Act No.3 of 2016. | | - Even though, the national minimum monthly wages for all employees deployed in any work or service should be Rs.10,000, an allowance of Rs.2,500 had been paid monthly from the year 2012 to the pre-school warden in the Hituwala pre- school which managed by the Sabha. |
| (d) National Environmental Act No.47 of 1980 as amended by the Acts No.53 of 2000 and No.56 of 1988. | | - Action had not been taken even by April 2018 to obtain Environment Protection Licence for the Solid Waste Management Centre of Rye-Kapokwatta commenced in February 2016. |
| (e) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. | | |
| (i) Financial Regulation 71 | | - Necessary actions had not been taken up to April 2018 to obtain approval for 02 posts of pre-school wardens |

for 02 pre-schools managed by the Sabha from the year 1986.

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| (ii) | Financial Regulation 371(5) | 4,510,231 | As per the Advance Register, 110 advances issued from the year 2002 to December 2017 totalling Rs.4,510,231 had not been settled even by 31 December 2017. |
| (iii) | Financial Regulation 571 | 959,348 | Action had not been taken to dispose the lapsed deposits unclaimed amounting to Rs.959,348 remained in the General Deposit Account from the year 2013 to 2015. |
| (f) | Paragraphs 3.1 and 3.2 of Public Finance Circular No.01/2012 dated 05 January 2012. | 9,796,407 | Fifteen contracts which estimated value amounting to Rs.9,796,407 had been awarded without following requirements which should be followed in selection of a contractor. |
| (g) | 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 cab vehicle which remained in a condemn position. |
| (h) | Paragraph 36 of the Direction of Local Government Pensions 1975 | 156,440 | Sums totalling Rs.156,440 payable to the Department of Pensions for the payment of pensions of the retired officers of the Local Government Service who retired prior to 03 September 1993 had not been paid by the Sabha even by April 2018. |

- (i) Letter of the Assistant Commissioner of Local Government No.ACLG/01/15 dated 19 October 2016.

- The rates and taxes had been recovered on the basis of assessment of taxes in the year 2011, while action had not been taken to revise the assessments even by April 2018.

2. Financial Review

2.1 Financial Results

According to the financial statement presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2017 amounted Rs.9,520.417 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.8,811,194.

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	5,184,659	4,081,871	6,482,921	3,881,128	5,231,304	5,225,937	5,671,305	3,745,494
(ii) Lease Rent	308,120	312,120	312,120	-	263,132	263,132	252,632	10,500
(iii) Licence Fees	450,000	450,000	483,396	-	325,000	275,000	362,640	-
(iv) Other Revenue	1,030,000	819,390	-	1,309,715	9,434,715	648,197	1,223,438	490,325
Total	6,972,779	5,663,381	7,278,437	5,190,843	15,254,151	6,412,266	7,510,015	4,246,319

2.2.2 Rates and Taxes

The following matters were observed.

- (a) The billed revenue for rates and taxes had decreased by Rs.1,144,066 in the year under review as compared with the preceding year.

- (b) Necessary action had not been taken even by April 2018 to recover arrears of rates and taxes for the preceding years amounting to Rs.3,881,128.

2.2.3 Other Revenue

The estimated revenue for other revenue had decreased by Rs.8,404,175 in the year under review as compared with the preceding year.

2.2.4 Court Fines and Stamp Fees

Action had not been taken to identify and recover the court fines amounting to Rs.206,195 recoverable relating to the period from May 2016 to December 2017 and the stamp fees receivable relating to the period from January 2015 to December 2017 from the Chief Secretary of the Sabaragamuwa Provincial Council.

3. Operating Review

3.1 Performance

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

(a) By-laws

The Sabha had not taken action to impose by-laws in respect of the approvals of the building plans, waste management, rental of machineries, water supply and management of water projects and monitoring of “Diya Pahasa Gimanhala” charges even by April 2018.

(b) Solid Waste Management

A solid waste management centre had been constructed in the place of “Rye Kapokwatta” by incurring Rs.8,864,327 on the grants of the “Pilisar” National Solid Waste Management Project of the Central Environmental Authority and recyclable and the waste cannot recycle of 610 metric tones approximately has been dumped in this centre annually for earth filling. As action had not been taken to prepare a methodology to dispose that stock of waste to the environment in a favourable manner, there was a risk of environmental damage may be occur due to mix of the waste cannot recycle to underground water and to the environment. Similarly, a methodology had not been made to utilize the recyclable waste of 600 metric tones out of the collection of waste annually to produce organic fertilizer even by April 2018 and as such the objective of the project was not executed.

(c) Sustainable Development Goals

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

3.2 Human Resources Management

The following matters were observed.

- (a) The Tertiary Level post of Secretary of super grade of Public Management Service had remained vacant, while an officer of Grade I, Public Management Service had been appointed by the Commissioner of Local Government to act in the post of Secretary from May of the year.
- (b) Action had not been taken to fill 10 vacancies remained in the posts of Revenue Inspector, Management Assistant, Ayurvedic Dispensor, Health Labourer, Librarian and Field Labourer. As such it had been hindered to execute the respective work and the activities efficiently and effectively.

3.3 Operating Inefficiencies

The following matters were observed.

- (a) The Pambahinna weekly fair had been conducted on the road shoulder of the Pambahinna Kumbalgama Road from the Pambahinna junction since the year 1977 and the traders and the public had faced to a severe discomfort and a risk due to rains and the motor traffic. Even though, a sum of Rs.4,561,397 had been incurred for development of weekly fair in the years 2015 and 2017, the development activities had not been carried out as suitable to conduct the weekly fair.
- (b) As the plans had been prepared to maintain 01 kilometre of the road per month, as per the Road Maintenance Plan, action had not been taken to prepare the maintenance plan so as to cover 428 kilometres of the roads belonging to the Sabha within a reasonable time period. Out of the provisions of Rs.100,000 allocated to maintain the roads during the year under review, a sum of Rs.76,840 had been saved.
- (c) Action had not been taken to obtain an assessment relating to the actual sales value subjected to the blocks of lands sold and to recover 1 per cent of tax from the sales value before approved the block out plan relating to the land sales of the 07 lands auctioned from the year 2009 to 2015,

- (d) Lease rental ranging from Rs.1,500 to Rs.2,650 had been recovered from 05 trade stalls without taking action to revise the monthly rental as Rs.1,000 as per the assessment of February 2017 of the Chief Valuer in respect of the leasing of trade stalls in the land of Pinnawala Fair,
- (e) Necessary actions had not been taken by the Sabha to maintain the Public Lavatory as to earn an income, which constructed by incurring Rs.490,000 in the year 2014 in the land belonging to Sabaragamuwa University close to the Pambahinan Junction. It was observed that, this lavatory had been maintained by a trade stall since the year 2015 by charging a fee of Rs.10.

3.4 Assets Management

Idle and Under utilized Assets

The gully bowser and 3 machineries belonging to the Sabha valued at Rs.3,410,000 had remained idle from a period ranging from 03 years to 08 years.

3.5 Irregular Transactions

The following matters were observed.

- (a) On the instructions made by the Chairman an assessment had been carried out in the year 2015 in respect of the constructions made in the year 2014 by the lessee in the premises of the “Diya Pahasa Gimanhala” in Belihuloya which belonging to the Sabha without the approval of the Sabha and a sum of Rs.289,682 had been paid to the lessee. Even though, the lessee had paid back a sum of Rs.72,000 out of that payment which was an irregular payment for the Sabha Fund action had not been taken to recover the balance of Rs.217,682 even by April 2018.
- (b) The “Diya Pahasa Gimanhala” in Belihuloya had been leased out for a sum of Rs.155,000 in the year 2016, while the lessee had sub-leased it for a sum of Rs.250,000. Even though, the “Gimanhala” had been handed over by the lessee to the Sabha in February 2017, action had not been taken even by April 2018, to take action against the lessee for the breach of agreement by sub leasing and to lease out the trade stalls of the “Gimanhala” again.

3.6 Procurements

3.6.1 Procurement Plan

In terms of the Guideline 4.2.1 (a) of the Chapter 4 of the Government Procurement Guidelines, action had not been taken by the Sabha to prepare a Master Procurement Plan.

3.6.2 Contract Administration

A section of 7.7 metres length and 1.5 metres width of the surface of the concreted road situated in the Kapokwatta Waste Management premises had damaged and pressed away from the road. Nevertheless, action had not been taken to repair it by utilizing retention money amounting to Rs.83,652 even by April 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

The estimated provision for the recurrent expenditure of the Sabha for the year under review amounted to Rs.43.91 million whereas the actual expenditure amounted to Rs.34.95 million thus a sum of Rs.8.6 million or 20 per cent out of the provisions had not been utilized. The estimated provision for the capital expenditure amounted to Rs.2.02 million whereas the actual expenditure amounted to Rs.1.34 million, thus a sum of Rs.0.68 million or 34 per cent out of the provisions had not been utilized. Similarly, a revenue of Rs.1,000,000 had been estimated during the year under review from leasing of machineries belonging to the Sabha. Nevertheless, action had not been taken to earn Rs.803,275 or 80 per cent out of that. Accordingly, it was observed that, the budget had not been made use of as an effective instrument of financial control.

4.2 Audit and Management Committee

Action had not been taken to establish Audit and Management Committee even by April 2018.

5. Systems and Controls

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

System	Deficiency
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(a) Accounting	(i) Failure to update the Register of Fixed Assets.
	(ii) Understatements and overstatements of revenue, expenditure assets and liabilities in the accounts.
(b) Budgetary Control	(i) Significant savings in the provisions.
	(ii) Non-recovery of estimated revenue.
	(iii) Non-preparation of supplementary estimates.