

**Ibbagamuwa Pradeshiya Sabha  
Kurunegala District**

**1. Financial Statements**  
-----

**1.1 Presentation of Financial Statements**  
-----

Financial Statements for the year 2018 had been submitted to Audit on 26 March 2019 and the Summary Report and the Detailed Management Audit Report of the Auditor General relating to those Financial Statements have been sent to the Chairman on 31 May 2019.

**1.2 Qualified Opinion**  
-----

In my opinion, except for the effect of the matters described in the basis for qualified opinion of this report, financial statements give a true and fair view of the financial position of the Ibbagamuwa Pradeshiya Sabha as at 31 December 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Basis for Qualified Opinion**  
-----

<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a) A sum of Rs.466,627 relating to the preceding year had been brought to account as expenditure of the year under review.	Accounting deficiencies should be rectified.	Matters pointed out by the Audit are accepted. Action will be taken to avoid such errors in future.
(b) Lands and 24 building items owned by the Sabha had not been valued and brought to account.	Action should be taken to vest and account them.	Action is being taken to vest them.
(c) There were un-reconciliations of Rs.254,509 between the balances according to the financial statements and the Report of P.S 07 of the Pradeshiya Sabha relating to 02 items of revenue in arrears of the year under review.	Action should be taken to reconcile differences in relevant balances and to rectify accounts.	The reason for the difference of Rs.233,740 between the arrears of stall rents according to the financial statement and the Report 07 of the Pradeshiya Sabha, is the billing of stall rents. Moreover, there was a difference of Rs. 20,768.97 between arrears of rates according to the financial statement and the Report 07 of the Pradeshiya Sabha due to fixed discounts.
(d) Adequate evidence relating to 09 balances of accounts valued at Rs. 337,414,510 had not been made available and as such, it could not be	Evidence for confirming balances of accounts, indicated in financial	Registers of Fixed Assets are maintained and reports on survey will be presented in future. Certain balances are brought forward for a

satisfactorily verified in audit.

statements, should be made available.

long period without any evidence.

#### 1.4 Non-compliances

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

Instances of non-compliance with laws, rules, regulations and management decisions are given below.

<b>Audit Observation</b>	<b>Non-compliance</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) <u>Pradeshīya Sabha Act, No. 15 of 1987</u> 152(4)	One hundred and eight enterprises had defaulted the payment of Trade License Charges for the year 2018 and legal action had not been taken against those parties.	Action should be taken in compliance with laws, rules and regulations.	Comments had not been made.
(b) <u>Pradeshīya Sabha (Financial and Administrative) Rules of 1988</u>			
(i) Section 193	A statement on surpluses and savings under each item of revenue and expenditure, had not been presented.	Action should be taken in terms of Rules.	Comments had not been made.
(ii) Section 206	Copies of reports on board of survey had not been presented to the Auditor General.	Action should be taken in terms of Rules.	Comments had not been made.
(iii) Section 218	Board of survey activities on lands and buildings had not been carried out.	Action should be taken in terms of Rules.	Board of survey activities have been carried out in respect of lands and buildings by appointing a board of inquiry.

## 02. Financial Review

### 2.1 Financial Results

According to the financial statements presented, excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2018 had been Rs. 80,054,719 as compared with the corresponding excess of revenue over recurrent expenditure for the preceding year amounting to Rs. 85,900,111.

### 2.2 Revenue Administration

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

Information on the estimated revenue, billed revenue, collected revenue and the arrears of revenue presented relating to the year under review and the preceding year, is given below.

Source of Revenue	2018				2019			
	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.
Rates and Taxes	6,364,500	7,207,376	2,159,213	6,053,997	11,846,000	6,304,156	6,303,000	5,621,253
Lease Rents	13,885,000	12,618,065	14,453,535	2,009,928	19,183,000	16,143,033	16,141,000	3,043,360
Licenses Fees	1,850,000	1,316,105	1,316,105	-	2,005,000	2,005,938	2,005,000	-
Other Revenue	162,694,500	188,177,605	83,785,985	119,717,928	286,897,000	173,146,762	173,147,000	113,674,347
Total	184,794,000	209,319,151	101,714,838	127,781,853	319,931,000	197,599,889	197,596,000	122,338,960

#### 2.2.2 Rates and Taxes

##### Audit Observation

A sum of Rs.5,146,907 was recoverable as at 31 December of the year under review. This arrears was increasing due to failure in taking action in terms of Section 158(1) (a) (b) and Rules 32-43 of

##### Recommendation

Collection of arrears of revenue should be expedited.

##### Comments of the Accounting Officer

Comments had not been made.

the Pradeshiya Sabha (Financial and Administrative) Rules of 1988.

### 2.2.3 Lease Rents and Stall Rents

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- The balance of arrears of lease rents recoverable over a period of 05 years had been Rs. 1,806,898.	----- Action in terms of agreements should be taken to recover rents and in defaulting the payments, action should be taken in terms of agreements.	----- Legal action is taken to recover arrears and it is expected to obtain the approval for writing off balances which cannot be recovered.

### 2.2.4 Court Fines and Stamp Fees

-----

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
----- Arrears of court fines and stamp fees amounting to Rs. 4,950,875 and Rs. 109,000,000 respectively should have been receivable as at the end of the year under review from the Chief Secretary of the Provincial Council and stamp fees had been overestimated in those balances.	----- Action should be taken to collect the arrears of revenue.	----- The revenue from stamp fees has been brought to account as an estimated amount due to failure in indicating the specified amount of stamp fees.

## 03. Operating Review

-----

### 3.1 Performance

-----

In terms of Section 3 of the Pradeshiya Sabha Act, the matters revealed in respect of the performance of functions of the Sabha such as regulation, control and administration of all matters relating to public health, public utility services and public thoroughfares and generally with the protection and promotion of the comfort, convenience and welfare of the people within the area, are as follows.

### **Failure in obtaining expected Benefits**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
The Hiripitiya fish market building constructed by spending a sum of Rs. 693,412 of the year 2017 without a proper feasibility study, could not be used to the relevant purpose and action had not been taken to use this building even for another business activity.	Action should be taken to maintain the property.	It is accepted. As this building has been constructed only for fish or meat stalls, no person has interested therefor, despite having calling for Tenders at three times.

### **3.2 Management Inefficiencies**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
(a) Accounts balance totalling Rs. 85,534,685 payable as at 31 December 2018 comprised of creditors balance of Rs. 16,994,031 older than one year, works creditors of Rs. 1,159,893 older than 03 years, Value Added Tax amounting to Rs. 554,271 older than 05 years and pensions funds of Rs. 4,052,433.	Action should be taken to recover balances receivable.	Action will be taken to pay or settle in the future.
(b) A milk bar constructed by spending Rs.1,294,439 in the Bathalagoda Children's Park, had been allowed to be maintained by a private party without any commitment or charges even by 13 February 2019.	Legal action should be taken.	It is kindly informed that even though tenders had been called for relating to the year 2019, no person had applied therefor.

### **3.3 Human Resources Management**

<b>Audit Observation</b>	<b>Recommendation</b>	<b>Comments of the Accounting Officer</b>
Sixteen vacancies existed in the approved cadre of the year under review.	Action should be taken to recruit the approved cadre.	Recruitments should be made by the Provincial Public Service Commission for vacancies in the posts of

Revenue Inspector,  
Preschool Teachers and  
Management Assistants.  
Action is taken to recruit  
road labourers.

### 3.4 Contract Administration

	<b>Audit Observation</b> -----	<b>Recommendation</b> -----	<b>Comments of the Accounting Officer</b> -----
(a)	Contrary to paragraph 1.2 of the Circular No.2016/01 of 30 December 2015 of the Finance Commission, in the construction as well as improvement of roads in local authorities, laying carpets, tars or concrete had been carried out for maintaining them in a long-lasting manner. However, gravels had been applied by spending Rs. 12,172,648 on 38 roads in the year 2018.	Action should be taken in terms of circulars.	Action has to be taken contrary to the circular due to reasons such as the area of authority to be developed has increased due to increase in the number of Members of Parliament from 22 to 43, increase in the number of road systems and the number requests made by the public.
(b)	Even though a sum of Rs. 859,775 had been paid for supplying gravels of 425 cubic metres and laying on the road with 150 mili metres in thickness under items of works Nos. 01, 02 and 03 of the work of development of Lenawa Thattawala by-roads by applying gravels, in the supervision of 22 places by digging pits of 4x4 inches in size, laying gravels had been about 50mm in thickness. Accordingly, the quantity of gravels laid to the road had been 142 cubic metres(50/150x425), thus indicating an overpayment of Rs. 507,509.	Constructions should be carried out properly.	It is accepted. The thickness of the surface layer of gravels had gradually worn down due to running of a large number of heavy motor vehicles.
(c)	A sum of Rs. 312,314 had been paid for 503.75 square metres for painting once with primary coat and twice with emulsion paint, which is a weather resistant paint under items of works Nos. 01 and 02 of the work of painting the roof of the Malsiripura crematorium. However, in the physical inspection, roof of the office building and the guard room of the said work, had been painted without a primary coat.	Constructions should be carried out properly.	Action is taken to remedy the shortcomings by paying more attention on such items of works before releasing retention money.