

Imaduwa Pradeshiya Sabha

Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

While Financial Statements for the year 2018 had been presented to audit on 28 March 2019, the summary report of the Auditor General relating to those financial statements on 31 May 2019 and detailed management report on 14 June 2019 were sent to the Chairman of th Sabha.

1.2 Qualified Opinion

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

1.2 Basis for the qualified opinion

(a) Accounting Deficiencies

Audit Observation	Recommendation	Comments of the Accounting Officer
(i) Non-capitalization of the sum of Rs. 267,583 received during the preceding year for the Komala, Poramadulla Community Water Project completed during the year 2016, had not been rectified during the year under review as well.	Accounts should be corrected.	Action will be taken to correct.
(ii) the sum of Rs. 50,000 paid to a private entity for the maintenance of street lamps during the year under review had been accounted as Capital Expenditure Payable.	Accounts should be corrected.	Action will be taken to correct in due course.

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| (iii) Capital Expenditure Payable at the end of the year under review had been overstated in a sum of Rs. 119,558 in the accounts. | Accounts should be corrected. | Comments not made. |
| (iv) Construction Works carried out under capital expenditure having spent a sum of Rs. 1,275,252 according to financial statements for the year under review, had not been capitalized. | Fixed Assets should be correctly capitalized. | Action will be taken to correct during the year 2019. |

(b) Non-reconciled Accounts

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
There was a difference of Rs. 1,953,456 between the balances totaling Rs. 1,953,456 relevant to 05 items of accounts shown in the financial statements as at 31 December of the year under review and the balances in the schedules relevant to those.	Differences in the relevant accounts should be reconciled and action should be taken to correct the accounts	Action will be taken to correct in due course.

(c) Accounts Receivable

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Four account balances totaling Rs.201,325 outstanding since the year 2006, had not been recovered.	Revenue Receivable should be recovered.	Action is being taken to rectify.

(d) Lack of Evidence for Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
Eleven items of accounts totaling Rs.69,845,259 could not be satisfactorily examined due to non- rendition of required information.	Evidence to confirm account balances shown in the financial statements should be submitted.	Corrective action will be taken in due course.

1.4 Non-compliance

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance	Recommendation	Comments of the Accounting Officer
	Rs.			
(a) Pradeshiya Sabha Act No. 15 of 1987. Section 149	31,131	Tax Revenue to be recovered from a restaurant carrying on in the area of authority of the Sabha from the yer 2015 to the year under review had not been recovered.	Action should be taken to recover specific tax in terms of the Act..	Action will be taken to correct.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 103 and 104.	15,000	Action had not been taken with regard to cash misplaced during the year 2018.	Action should be taken in terms of Financial Regulations with regard to cash misplaced.	Action will be taken to rectify in due course.
(c) Finance Ministry Circular No. 02/2015 dated 10 Jul 2015		While 04 vehicles belong to the Sabha had been parked in	Circular provisos should be complied with.	

a ground belongs to Sabha without being used since a number of years, action had not been taken for disposal.

2. 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 amounted to Rs.1,642,431 as compared with corresponding excess of revenue over recurrent expenditure for the preceding year amounted to Rs. 3,843,369..

2.3 Revenue Administration

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

Estimated Revenue, Billed Revenue, Revenue Collected and Arrears of Revenue at 31 December for the year under review and the preceding year as furnished are shown below

Source of Revenue	Estimated Revenue	2018		Total Arrears as at 31 December	2017		Total Arrears as at 31 December
		Revenue Billed	Revenue Collected		Revenue Billed	Revenue Collected	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	518,900	610,325	255,422	594,425	151,200	123,209	248,391
Rent	4,771,000	888,150	989,950	-	3,100,000	3,139,202	-
License Fees	150,000	212,000	260,700	177,366	200,000	153,700	152,466
Other Revenue (Cinamon Plantation)	450,000	-	-	-	2,900	-	-
	5,889,900	1,710,475	1,506,072	771,791	3,454,100	3,416,111	400,857

2.2.2 Performance in Revenue Collection

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>While the total revenue estimated during the year under revenue amounted to Rs. 5,889,900, revenue billed had been Rs.,710,475. Although the amount to be recovered together with opening arrears amounting to Rs. 400,857 was Rs.2,111,332, total amount collected during year had been Rs. 1,506,072 and therefore percentage of revenue collection had been 71 percent.</p>	<p>Action should be taken to recover arrears of revenue.</p>	<p>Action will be taken to recover in due course.</p>

2.2.3 Rates and Taxes

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>While the balance of rates in arrears at the beginning of the year under review amounted to Rs.248,391, together with the billings amounting to Rs. 610,325 for the year a sum of Rs.858,716 had to be recovered. As the total recoveries had been Rs. 255,422, there was balance of arrears amounting to Rs. 594,425 at the end of the year.</p>	<p>Action should be taken to recover arrears of revenue.</p>	<p>Action will be taken to recover in due course.</p>

2.2.4 Rent Revenue

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Although an income of Rs.450,000 had been estimated from the cinnamon plantation belongs to the Sabha for the year under review, any income had not been derived.</p>	<p>Action should be taken to collect the estimated revenue.</p>	<p>Action will be taken to correct in due course.</p>

2.2.5 Other Revenue

Audit Observation

Although the estimated rent revenue for the year under review was Rs.4,771,000, billings for the year had been Rs. 88,150; while total Recoveries were Rs.989,959. Billed amount had been 81 percent lesser than the estimated revenue.

Recommendation

Action should be taken to bill the estimated revenue.

Comments of the Accounting Officer

Action will be taken to correct in due course.

2.2.6 Court Fines and Stamp Fees

Audit Observation

Stamp Fees amounting to Rs.17,982,810 and Court fines amounting to Rs. 3,281,971 were receivable from the Chief Secretary to the Provincial Council and other authorities as at 31 December of the year under review.

Recommendation

Action should be taken to collect revenue receivable.

Comments of the Accounting Officer

Action will be taken to correct in due course.

3. Operating Review

3.1 Performance

(a) Failure to gain expected outcome

Audit Observation

While a loan of Rs. 2,280,000 had been obtained to purchase a land for development of Bogahagoda weekly fair

Recommendation

Land should be purchased and utilized for the

Comments of the Accounting Officer

While the right of the fairground has been accepted by the

and urban Development, loan installments and interest amounting Rs. 1,111,783 had been paid by end of the year under review. Although this loan amount had been deposited in Divisional Secretariat for payment of compensation in purchasing a land for the construction of the weekly fair, a land had not purchased up to now.

relevant work.

Pradeshia Sabha, preliminary works to prepare the ground for development of the fair have been commenced by now.

(b) Solid Wastes Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
The Sabha had not prepared a long term plan for wastes management as per gazette notification No. 2015/53 dated 20 April 2017.	A proper plan should be prepared for solid wastes management.	Action will be taken to prepare a plan in due course.

(c) Sustainable Development Goals

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
Plans for uplifting living condition and health of the people in the area of authority of the Sabha through global indexes for sustainable development objectives and goals in the Agenda for Sustainable Development 2030 had not been prepared by the Sabha.	Long term plans for sustainable development should be prepared.	A plan will be prepared to uplift the living condition of the people in the area of authority in due course.

3.3 Human Resources Management

----- Audit Observation -----	----- Recommendation -----	----- Comments of the Accounting Officer -----
(a) Eight employees belong to various posts serving in the Sabha	Action should be taken to assign	Action will be taken to rectify in due course.

were engaged in duties not relevant to substantive posts. Due to that, the post of peon of the Sabha had been vacant.

substantive duties and regularize functions.

(b) Action had not been taken to fill 04 vacancies in the approved cadre and to regularize the excess cadre of an employee.

Action should be taken to regularize the cadre according to the planed cadre.

Action will be taken to rectify in due course.

4. Accountability and Good Governance

4.1 Budgetary Control

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) While there were savings amounting to Rs. 25,196,002 in 05 items of expenditure those values were in range from 37 percent to 80 percent.	Realistic estimates should be prepared.	Attention will be made in this connection in the ensuing year.
(b) While total of 04 revenue items not reached the revenue target amounted to Rs. 13,827,748, those values were in a range from 21 percent to 78 percent.	Realistic estimates should be prepared.	Attention will be made in this connection in the ensuing year.
(c) adverse variances in the item of expenditure for Pension, Pension Benefits and Gratuities was 67 percent.	Realistic estimates should be prepared.	Attention will be made in this connection in the ensuing year.

4.2 Internal Audit

Audit Observation	Recommendation	Comments of the Accounting Officer
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Although an internal audit officer had been appointed in terms of provisions in	Should act according to financial regulations and	Action will be taken to rectify in

Financial Regulations 133 and 134 of the Republic of Sri Lanka and Circular No. SLG/G/01 dated 14 February 2014 of the Commissioner of Local Government (Southern Province), an adequate internal audit had not been carried out.

circulars.

due course.

4.3 Audit and Management Committees

Audit Observation

Recommendation

Comments of the Accounting Officer

In terms of provisions in Management Audit Circular No. DMA/2009(i) dated 09 June 2009, Audit and Management Committee Meetings had not been held.

Financial Regulations and Circulars should be complied with.

Action will be taken to rectify in due course.