

**Embilipitiya Urban Council**

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**Ratnapura District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

The financial statements for the year 2018 had been presented to audit on 28 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 28 May 2019.

**1.2 Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section of this report, the financial statements give a true and fair view of the financial position of the Embilipitiya Urban Council 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 the qualified opinion**

Audit Observation	Recommendation	Comment of the Accounting Officer
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(a) 02 Tractors purchased by paying Rs. 2,658,600/- during the year under review had not been capitalized.	Purchased assets should have to be capitalized.	Noted down to correct when preparing financial statements for the next year.
(b) Fixed Deposit Interest relevant to the year under review has been understated by Rs. 714,769/-.	Should be brought to account accurately.	Actions will be taken to bring to account the relevant interest in the future.

**1.4 Non-compliances**

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

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

Reference to laws, rules, regulations and management decisions.	Non-compliance	Recommendations	Comment of the Accounting Officer
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Financial Regulation of the Democratic Socialist Republic of Sri Lanka			
(a) Financial Regulation 371 (2) (c)	13 advances issued from 2007 to 2018 totalling Rs. 1,082,291/- had not been settled.	Actions need to be taken in compliance with the financial regulations.	Actions have been taken to settle the relevant advances.
(b) Financial Regulation 571	Actions have not been taken regarding miscellaneous deposits, tender security, 10% retention and industry agreement securities relevant to the period 2012 to 2015 totalling Rs. 574,629/-.	Steps have to be taken as per the financial regulations.	Actions are being taken under financial regulation 571, regarding those deposits.

## 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 2018 amounted to Rs.25,500,993 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.36,526,973.

### 2.2 Revenue Administration

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

The information relating 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	Estimated Revenue	2018			Total arrears as at December 31 <sup>st</sup>	2017			Total arrears as at December 31 <sup>st</sup>
		Billed Revenue	Collected Revenue	Rs.		Estimated Revenue	Billed Revenue	Collected Revenue	
(i) Rates and taxes	Rs. 18,056,000	Rs. 17,749,272	Rs. 17,749,272	Rs. 41,072,688	Rs. 18,206,000	Rs. 18,329,258	Rs. 16,053,437	Rs. 37,300,469	
(ii) Rent	14,252,200	15,312,341	15,312,344	8,270,985	14,199,900	14,467,062	12,977,626	10,749,251	
(iii) License fee	2,022,800	2,523,479	2,523,479	-	1,777,800	2,303,439	2,052,639	-	
(iv) Other Revenue	11,019,700	13,285,992	13,285,992	7,497,459	6,388,200	19,160,471	14,510,896	14,064,980	

### 2.2.2 Other Revenues

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) The sabha has unable to collect a sum of Rs. 63,000/- receivable as Three wheel parking fees from 1426 three wheelers for the year under review.	Revenue arrears should have to be collected without any delay.	The Chairman of the Three wheel society has been informed regarding this.
(b) Although it was planned to collect a sum of Rs. 250,800/- as vehicle parking fees within Embilipitiya Town during the year under review, that revenue has been lost due to that tender was not obtain by any one.	A special attention should be paid to collect the revenue due to the Sabha.	Although tenders were called regarding collection of parking charges, no one was presented. As the human resource of this Urban Council is limited, this money was unable to collected.

## 3. Operational Review

### 3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 4 of the Urban Council Act such as regularize and control over the matters of public health, public utility services and public roads and the comfort, facilities and wellbeing of the people are given below.

#### Sustainable Development Goals

Audit Observation	Recommendation	Comment of the Accounting Officer
Although the Sabha had aware in respect of the sustainable development objectives, actions had not been taken to prepare long	Actions should have been taken to prepare and implement long term plans by identifying accurately the	Long term plan from the year 2019 to 2022 , to upgrade the life condition and health of the people living in the authoritative area of

term plans to upgrade the life sustainable development the Sabha has been approved at the condition and health of the people objectives, aims and meeting held on 22 February, in the authoritative area of the indicators. 2019. sabha by the global indicators.

### 3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
Although all the immovable properties situated within the authoritative area should have to be assessed once in a 05 years in order to levy assessment taxes, no property assessment has been done after the year 2012.	A suitable programme has to be planned and implemented in order to assess the properties once in a five years period.	The chief assessor has been requested to assess the properties in 2017 and 2018 and the valuation department has informed us to accomplish that duty in the year 2019.

### 3.3 Operational Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
06 lands were sold by auction without enter into an agreement as per paragraph 02 (iv) of the circular bearing NO. 2005/04 dated 01 June, 2005 regarding “levying taxes on sale of certain lands” of the Commissioner of Local Government, Sabaragamwa Province.	Actions should be taken as per the provisions of the circulars.	When such lands are blocked out and sold during 2019, formal agreements has been made.

### 3.4 Irregular Transactions

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Repair of the clock in the clock tower situated at the centre of Embilipitiya Town, has been given to a person avoiding procurement guidelines to an estimated amount of Rs. 247,640/-. Without having a written agreement with the contractor or a bid security, a sum of Rs. 150,000/- has been given	Procurement guidelines have to be followed.	Although open tenders were called for this, as no one was presented a bid, the contractor was informed to repair and was given an advance amounting to Rs. 150,000/-. After the repair, the clock shows the correct time and after a few days it was again inactive. He was informed several times in writing to do

as an advance and as the repair was not done properly, the clock was remained inactive even at the end of the year under review.

the repair again but as he did not accomplish that duty, the balance sum of Rs. 97,640/- was not paid to him.

- (b) The revenue licenses could not be obtained since 2008, due to non-transfer of the ownership of the motorbike which was registered to the name of the then Chairperson in 2007. The Motor cycle was inoperable due to non-usage for a long period.
- Suitable steps have to be taken immediately regarding the Motor bike after transferring the ownership of the asset to the Sabhawa.
- Ex-Chairperson has submitted a police complain to the sabhawa stating that the registration certificate has been lost. Actions are being taken to get transfer the Motor bike to the Embilipitiya Urban Council along with that police complain.

### 3.5 Procurement

#### 3.5.1 Procurement Plan

Audit Observation	Recommendation	Comment of the Accounting Officer
Although procurement activities have been done to the value of Rs. 5,046,790/- during the year under review, no procurement plan has been prepared.	Annual procurement plan need to be prepared.	I state that expenses will be done having prepared a procurement plan for the year 2020.

#### 3.5.2 Contract Administration

Audit Observation	Recommendation	Comment of the Accounting Officer
A sum of Rs. 93,670/- had been over paid for two works and a sum of Rs. 9689/- had been paid for the work not executed.	Work should be properly supervised and over payments have to be minimized.	Action will be taken to deduct from the retention.

#### 04. Accountability and good governance

##### 4.1 Budgetary Control

The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Total allocation amounting to Rs. 3,066,700/- relevant to 15 object codes have been saved during the year under review.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Action will be taken to allocate provisions by way of minimizing the variations when preparing budget of next year.
(b) Out of the provisions totaling Rs.59,547,200 made for 22 Objects, the savings had ranged from 38 percent to 99.7 percent, during the year under review.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Action will be taken to allocate provisions by way of minimizing the variations when preparing budget of next year.

##### 4.2 Audit and Management Committees

Audit Observation	Recommendation	Comment of the Accounting Officer
Actions have not been taken to establish and operate audit and management committees.	Actions should be taken to establish and operate audit and management committees.	Audit and Management Committee was established in respect of 01 <sup>st</sup> quarter of the year 2019 and I kindly inform that the balance committees will be held in the future.

##### 4.3 Unsolved audit observations

Audit Observation	Recommendation	Comment of the Accounting Officer
(a) Bus parking charges were not levied form Embilipitiya Bus Stand since 2014.	Action should be taken to recover the revenue due to the council.	Discussions are already underway with the Chief Secretary, Secretary to the Chief Ministry and the Road Passenger Transport Authority, in connection with the recovery of this revenue.

- (b) As per the decision of the Sabha dated 21 February, 2014, the officer in-charge of collecting outstanding assessment taxes has been over paid a commission totaling Rs. 237,012 during the period from 2014 to 2016 and even at the end of the year under review, a sum of Rs. 150,506/- had to be recovered.
- Overpaid money had to be recovered quickly.
- When paying this commission, it is informed in writing to refund the overpayments .