

Imbulpe Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 26 February 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 07 July 2020 and 13 August 2020 respectively.

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 Imbulpe Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The value of 22 lands belonging to the Sabha included in the Register of Fixed Assets had not been assessed and brought to account.	The all lands belonging to the Sabha should be assessed and brought to account.	Action will be taken in future to assess the value of 22 lands and to take into account.
(b)	The value of 02 items of stocks as at 31 December of the year under review had been overstated by Rs.76,189 while the value of 03 items of stocks had been understated by Rs.17,845 in the accounts.	The value of stocks should be brought to account accurately.	Action had been taken to correct it and action will be taken to prevent such type of errors in future.
(c)	A sum of Rs.576,953 incurred for constructions and improvements of the Sabha during the year under review had not been capitalized.	Increases of non – current assets should be capitalized.	Action will be taken to capitalize in future.

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| (d) | Provisions for audit fees for the year under review had not been made. | Provisions should be made in the financial statements for the expenses to be incurred relating to the year. | Action will be taken to make provisions for audit fees in future. |
| (e) | A difference of 2,766,261 was shown between the advance register and the advances control account as at the end of the year under review. | The balances of the control accounts should be reconciled with the subsidiary registers thereon. | Action is being taken to examine the particulars in the prior years registers and to correct at present. |

1.4 Non-compliances

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

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	Recommendation	Comments of the Accounting Officer
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(a) Pradeshiya Sabha Act No.15 of 1987.			
(i) Section 24(1)(a) and (b)	Action had not been taken to prepare plans of the roads and narrow avenues belonging to the Sabha and to display the name boards of above roads since the year 2003.	Action should be taken in terms of the Pradeshiya Sabha Act.	Before taking action to Gazette the roads, the plans for all roads should have been prepared. Even though, the quotations thereon had been invited, no quotation was received up to now and action will be taken to call quotations again to obtain the service of survey officers and required action will be taken to Gazette the roads.

(ii) Section 134	Action had not been taken to name as developed village areas identified as developed village areas of the Sabha in the year 2015.	Action should be taken in terms of the provisions of the Pradeshia Sabha Act.	Required initial action is being taken to name the developed village areas at present.
(iii) Section 149	Action had not been taken to recover tourist tax of 01 per cent that should be recovered from the revenue relating to the year 2018/2019 from 04 tourist hotels, restaurants or lodges registered in the Sri Lanka Tourist Board situated in the authoritative area of the Sabha.	Prompt action should be taken to collect revenue receivable for the Sabha.	Since the hotels were closed due to the Covid - 19 epidemic, there was a delay to recover tax and currently the respective institutions had been informed.
(c) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. (i) Financial Regulation 104	Action had not been taken in respect of losses incurred due to an accident caused to a cab vehicle of the Sabha.	Action should be taken in terms of Financial Regulations.	Even though, an examining Board had been appointed, the investigations, had not been carried out up to now.
(ii) Financial Regulation 371(5)	One Hundred and twelve advances totalling Rs.5,314,427 issued from the year 2002, up to end of the year under review had not been settled.	Action should be taken in terms of Financial Regulations.	Action is being taken at present to write off the unsettled advances from the year 2002 up to the year 2009.

- (d) Public Finance Circular No.01/2012 of 05 January 2012 Paragraph 3.1
- Without being examined the qualifications of the community based organizations 12 contracts valued at Rs.9,863,066 had been entrusted to community based organizations.
- Action should be taken in terms of the provisions of the circulars.
- The works had been awarded based on the capability certificate issued by the institutions such as Divisional Secretary and Agrarian Services in which the relevant community based organization registered and there was a difficulty to appoint a committee including representatives of the Divisional secretary and to select community based organization.

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 2019 amounted to Rs.2,687,248 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,086,825.

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 appear below.

Source of Revenue	2019				2018			
	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	7,238,538	9,404,694	7,534,479	6,388,034	5,719,099	7,839,351	6,330,106	5,341,086
Lease Rent	2,229,000	1,295,322	1,295,321	33,660	352,000	1,601,615	1,613,615	33,660
Licence Fees	1,247,000	1,077,544	1,077,544	-	1,161,000	1,762,591	1,762,591	-
Other Revenue	24,397,500	14,072,030	23,290,544	27,825,887	17,468,000	13,208,728	11,027,164	37,154,976
	<u>35,112,038</u>	<u>25,849,590</u>	<u>33,197,888</u>	<u>34,247,581</u>	<u>24,700,099</u>	<u>24,412,285</u>	<u>20,733,476</u>	<u>42,529,722</u>

2.2.2 Rates and Taxes

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) <u>Rates</u> The arrears of revenue relating to rates and taxes had increased by Rs,1,046,948 in the year under review as compared with the preceding year.	Action should be taken to collect revenue receivable to the Sabha.	The request to write off the rates, relating to the tea factory destroyed by fire is being considered at present and action will be taken to hold a mobile service in future and to recover other arrears.
(b) <u>Acreage Tax</u> Action had not been taken to recover arrears of acreage tax amounting to Rs,96,861 out of the acreage tax of Rs.101,270 remained in arrear as at the preceding year.	Action should be taken to verify the acreage tax and to settle the arrears of revenue. .	The payment of taxes had been defaulted due to dividing the lands of a large number of acreage tax payers and required action is being taken at present to settle the arrears.
(c) <u>Waste Tax</u> The waste tax receivable since the year 2010 from 71 business places and houses situated in the authoritative area of the Sabha amounting to Rs.315,000 had not been recovered in terms of Section 159(2) of the Pradeshiya Sabha Act No 15 of 1987.	Action should be taken to collect revenue receivable to the Sabha.	Action had been taken to recover arrears of waste tax through the mobile service programme carried out in June 2020.

2.2.3 Other Revenue

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) Action had not been taken to recover arrears of water tax from 10 drinking water projects amounting to Rs.3,517,866.	Action should be taken to collect the revenue receivable to the Sabha.	Two mobile services had been held and a sum of Rs.115,000 had been recovered in the year 2020 and action will be taken in future to recover other arrears.

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| (b) | Action had not been taken to identify advertisement hoardings in 26 divisions of the authoritative area of the Sabha and action had not been taken to recover fees from 417 advertisement hoardings displayed in other 24 divisions. | Action should be taken to identify and collect the revenue receivable to the Sabha. | By-laws had been prepared and submitted for required approval at present and action will be taken in future to recover charges for advertisement hoardings accordingly. |
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2.2.4 Court Fines and Stamp Fees

Audit Observation

Recommendation

Comments of the Accounting Officer

Action had not been taken to recover court fines receivable relating to the year under review from the Chief Secretary of the Sabaragamuwa Provincial Council amounting to Rs.11,553,490.

Action should be taken to collect revenue receivable to the Sabha.

Action will be taken in future to recover court fines.

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 the comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

By-laws

Audit Observation

Recommendation

Comments of the Accounting Officer

Even though by-laws should be imposed relating to the activities such as renting out of machineries, water supply and water projects management, and regularize, administration and supervision of advertising and to recover advertisement hoarding charges and monitoring of rest house charges, under Section 126 of the Pradeshiya Sabha Act, action had not been taken thereon.

Action should be taken to impose by-laws and to collect revenue.

The by-law for advertising had been prepared, and submitted to the Sabha on 11 May 2020 and approved and had been referred for further actions. Action will be taken in future to impose by laws for other subjects.

3.2 Management Inefficiencies

Audit Observation

According to the judiciary action taken by the Sabha in respect of non-payment of rental of the resting hall situated within the authoritative area of the Sabha, the total arrears of Rs.72,048 should be recovered entirely by July 2019. But a sum of Rs.49,048 had to be further recovered.

Recommendation

Legal action should be taken on defaulting of payments.

Comments of the Accounting Officer

Action will be taken to recover in future.

3.3 Human Resources Management

Vacancies and excesses of staff.

Audit Observation

(a) As the post of Secretary had remained vacant, an officer of Public Management Service Grade I had been appointed by the Commissioner of Local Government to act in the post of Secretary from the year 2014.

(b) As action had not been taken to fill vacancies in a post of Technological Service Officer, a post of Librarian and in a post of Ayurvedic drugs, there were hindrances to carry out respective functions and activities efficiently and effectively.

(c) Two posts of Development Officers had remained in excess from the year 2017.

Recommendation

Action should be taken to fill vacancies in the necessary posts.

Action should be taken to fill necessary vacancies in the posts.

The excesses should be regularized.

Comments of the Accounting Officer

The Chief Secretary through the Assistant Commissioner of Local Government had been informed in respect of all vacancies with the particulars of the staff once in quarter of each year.

The Commissioner of Local Government had been informed in respect of the vacancies of respective posts.

The office of the Commissioner of Local Government had been informed in respect of 2 excesses of Development officers with the particulars of the staff.

3.4 Assets Management

3.4.1 Assets not Recorded

Audit Observation

The Register of Fixed Assets, detailed schedules relating to 04 items of assets totalling Rs.128,355,776 had not been updated.

Recommendation

The assets registers and detailed schedules should be maintained in an updated manner.

Comments of the Accounting Officer

Action will be taken in future to maintain the Register of Fixed Assets and the detailed schedules.

3.4.2 Idle and Underutilized Assets

Audit Observation

(a) The gully bowser belonging to the Sabha valued at Rs.1,550,000 had remained idle from the year 2010.

Recommendation

Action should be taken either to utilize the gully bowser effectively or to give for an another Local Government Institution which is having the requirement of a gully bowser.

Comments of the Accounting Officer

The gully bowser could not be utilized due to non- availability of a place to dispose sewage.

(b) The multi-purpose building, Galagama constructed by incurring Rs.42,000,000 had remained idle even by the end of the year under review.

The respective building should be utilized effectively.

Even though, the plan had been made to utilize the respective building for an income generating programme and to obtain required provisions from the Provincial Council, that function could not be accomplished due to non-availability of provisions and the poor financial position of the Sabha.

3.5 Procurements

Contract Administration

Audit Observation

(a) Even though, a section of the concrete layer of the road with a length of 7.7 metres and a width of 1.5 metres in the Kapokwatta waste management premises constructed in the year 2015 had broken

Recommendation

Action should be taken to repair the broken section by utilizing the retention money.

Comments of the Accounting Officer

Even though, action had been taken to get the repair of the broken section by the contractual party it was not accomplished at the moment

and pushed away from the road, action had not been taken to repair it by utilizing retention money of Rs.83,652 even by March 2020.

and as such the broken section of the road slab will be repaired by utilizing the retention money.

- (b) An agreement had been entered into with a contractor on 20 November 2017 for the work of improvement of Pinnawala Drinking Water Project on the basis of completion within the period of 24 days. The water lines accessories purchased by the contractor valued at Rs.1,440,500 had been dumped in the premises of the Sabha and a sum of Rs.1,152,684 had been paid thereon. As non-carrying out the laying of water lines up to March 2020, the old water lines got cracked and the roads also damaged. Action had not been taken against the contractor for breaching of the agreement.

Action should be taken to complete the project as planned and action should be taken against the contractor for breaching of contract in terms of the agreement.

As the contractual party had not executed this work properly an amount of 15 per cent of the value of the work had been retained and action will be taken to laying water line immediately as the Sabha had taken a decision for completion of the work of the project by utilizing the direct labour.

4. Accountability and Good Governance

Audit Observation

Even though, a sum of Rs.4,561,397 had been incurred to develop the Pambahinna weekly fair in the years 2015 and 2017, the development works suitable for maintaining the weekly fair had not been carried out due to non-availability of provisions.

Recommendation

Prompt action should be taken to develop and utilize the weekly fair.

Comments of the Accounting Officer

Even though, it was decided to construct weekly fair in this land section and the preliminary stage of the construction had been completed by utilizing Rs.4,561,397 under Strengthening of Pradeshiya Sabhas Project 2017, further construction works were stopped due to non-availability of provisions required for completion of the preliminary requirements to maintain the weekly fair.