

Ibbagamuwa Pradeshiya Sabha

Kurunegala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 28 March 2018 and the report of the Auditor General on the financial statements forwarded to the Chairman of the Sabha on 28 September 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 Ibbagamuwa Pradeshiya Sabha as at 31 December 2017 and its financial performance 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) The balance of the general stores account had been overstated by Rs.115,320 as at the end of the year under review.
- (b) The value of the projector amounting to Rs.70,000 had been brought to account under general stores and machinery.
- (c) The total amount of deposit on behalf of acquisition of a land and the interest thereon amounting to Rs.5,888,563 had been shown as revenue for the year without being identified the interest separately and brought to account.
- (d) The constructions costing Rs.3,942,222 relating to the year under review had not been capitalized.
- (e) The value of 24 lands and buildings which utilized by the Sabha had not been assessed and brought to account.

- (f) A sum of Rs.3,771,767 transferred from general account to works account had been shown under current assets.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) A difference of Rs.2,558,048 was shown between the arrears of revenue as at 31 December 2017 and the arrears of revenue existed as at that date in the P.S. format 07 relating to 05 items of revenue.
- (b) The balance of the revenue contribution to capital outlay account and the balance of the grant contribution to capital outlay account should be equal to the value of the fixed assets but a difference of Rs.983,387 was observed.

1.3.3 Accounts Receivable and Payable

(a) Accounts Receivable

The value of the balance of the accounts receivable as at 31 December 2017 amounted to Rs.154,163,881. The balance to be recovered further by 01 June 2018 amounted to Rs.98,908,804 and it included a balance of working debtors amounting to Rs.4,444,778 recoverable relating to the years 2013, 2014 and 2015.

(b) Accounts Payable

The value of the balance of the accounts payable as at 31 December 2017 amounted to Rs.73,819,862 but action had not been taken by the Sabha to settle the deposit balances except the deposits which had to be retained.

1.3.4 Lack of Evidence for audit

Non-submission of Information to Audit

Twelve items of accounts amounting to Rs.181,250,876 could not be satisfactorily vouched in audit due to non-submission of required information.

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

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

Reference to Laws, Rules, Regulations and Management Decisions	Value	Non-compliance
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	Rs.	
(a) Pradeshiya Sabha (Financial and Administration) Rules 1988		
(I) Rule 193	-	A statement on excesses and savings under each revenue and expenditure item had not been furnished.
(II) Rule 206	-	The copies of the Boards of Survey Reports had not been furnished to the Auditor General.
(III) Rule 218	-	Annual Surveys in respect of land and buildings had not been carried out.
(b) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.		
Financial Regulation 571	1,875,855	Action had not been taken on deposits older than 02 years.
(c) Government Procurement Guidelines 2006		
Guideline 4.2	-	A Master Procurement Plan had not been prepared by the Sabha.

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 2017 amounted to Rs.85,900,111 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.40,131,517.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the 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.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
(i) Rates and Taxes	11,846	6,304	4,666	5,542	5,694	6,351	2,955	6,219
(ii) Lease Rent	19,183	16,141	11,332	3,042	13,690	13,105	11,443	4,667
(iii) Licence Fees	2,005	2,005	2,005	-	2,100	2,054	898	70
(iv) Other Revenue	286,905	173,150	122,290	113,755	108,815	108,225	73,041	59,666
Total	319,939	197,600	140,296	122,339	130,299	129,735	88,337	70,622

2.2.2 Performance in Collection of Revenue

Out of the billed revenue amounting to Rs.197 million in the year under review a sum of Rs.140 million had been collected while a sum of Rs.67 million out of that was related to the preceding years. The arrears of revenue amounting to Rs.70 million existed as at 31 December of the preceding year had increased up to Rs.122 million in the year under review.

2.2.3 Rates and Taxes

The following matters were observed.

- Action had not been taken to recover the arrears of rates and taxes amounting to Rs.4,969,987 as at 31 December of the year under review, in terms of the provisions of the Pradeshiya Sabha Act and as such it was observed a slow position of recovery of rates.
- Action had not been taken to identify the newly developed areas within the limits of the Pradeshiya Sabha and to publish in the Gazette since for a period about 30 years.

2.2.4 Court Fines and Stamp Fees

The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council as at the end of the year under review amounted to Rs.5,029,205 and Rs.90,000,000 respectively and no stamp fees whatsoever had been received to the Sabha in the year under review.

3. Operating Review

3.1 Performance

The matters revealed on the execution of activities to be executed by the Sabha in respect of regularize and control over the matters such as public health, public utility services and public roads and comfort, facility and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) By-laws

Even though the by-laws should be imposed to execute 30 major matters under Section 126 of the Pradeshiya Sabha Act, the by-laws had been imposed for 51 matters including sub-matters by 31 December 2017.

(b) Non-execution of Expected Output Level

The value of 83 development works proposed to be implemented in the year under review amounted to Rs.56,175,968 but 66 works and proposals out of that amounting to Rs.26,500,000 had not been implemented.

(c) Solid Waste Management

Even though, a land had been purchased by spending Rs.6 million on 16 May 2017 to construct a Solid Waste Management Centre, the construction works of that centre had not been planned even by the end of the year under review and the disposing of bio degradable waste is being carried out by digging the pits and buried in the private lands.

(d) Sustainable Development Goals

Even though, the Sabha had known in respect of the Agenda of 2015-2030 Sustainable Development Goals, 07 projects under Development of Isolated Villages Programme in view of the objectives of poverty alleviation and alleviation of hunger, establish food protection, improvement of nutrition and protection of healthy lives had been implemented. In addition to this, rendering free service to mitigate dengue disease under health programmes and conducting of meetings once a week in respect of communicable diseases had been carried out.

3.2 Management Inefficiencies

The following matters were observed.

- (a) One hundred and twenty four cemeteries out of 126 cemeteries situated in the authoritative area of the Sabha had not been formally vested to the Sabha. Even though, provisions of Rs.500,000 had been made available in the budget of the year 2017 for renovations of cemeteries, no renovation work whatsoever had been carried out from the provisions. The fences for 74 cemeteries had not been erected and not separated so as to identify separately.
- (b) Even though, the all buildings in the Malsiripura weekly fair had been in a position for which could not be utilized, the attention of the Sabha had not been paid in respect of the repairs need and as such the problems arised to the safety of the lives of the people and the traders.

3.3 Human Resources Management

The following matters were observed.

- (a) Twenty eight vacancies had existed in the posts of Tertiary, Secondary and Primary levels and 36 excesses had existed in the posts of Secondary and Primary levels of approved and actual cadre. Twenty seven Development officers had been assigned exceeding the approved cadre.
- (b) Nine employees out of 25 employees who had obtained permanent status in accordance with the Public Administration Circular No.25/2014 dated 12 November 2014 had not been approved by the Department of Management Services.
- (c) Without being assigned the duties relevant to the posts for 3 offices recruited in terms of the above Circular, duties in the office had been assigned.
- (d) Action had not been taken to recover the loan balance amounting to Rs.126,769 recoverable from an officer who vacated the post due to an interdiction.

3.4 Idle Assets

A photo copy machine and a laser printer had remained without being utilized for a period about 05 years.

3.5 Procurements

3.5.1 Contract Administration

The following matters were observed.

- (a) Even though, the pre-cast block stones had been laid in the road of Hubulugala Monastery Hermitage by spending Rs.1,752,434, the block stones were subsided in several places. Further, the concrete ridge laid was subjected to be cracked and to be pressed in the places with the corners of the road. In laying the concrete ridge it was not constructed in a similar level of both sides to the road level and the concrete ridge laid in some places had shown below the block stones and in some places above the block stones.
- (b) In laying concrete block stones on the road near the Thiththa wella Vidyalaya by spending Rs.548,795, the concrete ridge constructed with the length of 17.6 feet and width of 6 inches at the beginning of the road had cracked in 06 places.
- (c) Even though, the thickness of the concrete layer should be 6 inches in concreting the road of Hubulugala Monastery Hermitage at an estimate of Rs.2,000,000 under the provisions of Wayamba Development Ministry –2017, the thickness of the middle of the road had been only 5 inches. Further, it was observed during the physical examination carried out on 28 August 2017 that the sand used was not suitable for the concrete, due to muddy sand had been washed and used.
- (d) The Ganewatta Nalawa Sri Jaya Mawatha Road to Aluthgama Road in extent of 650 metres length and 3 meters width and the value of the work completion amounting to Rs.4,323,983 had been concreted and after elapsed of one month the concrete was removing totally and risen metal and sand. It was observed that the concrete was removing easily when broke and tested the concrete layer at the physical examination carried out in September 2017.
- (e) A sum of Rs.1,336,545 had been incurred to construct a water tank from the Sabha funds in the year 2013 for the Na bata water project which commenced in the year 2012 and is being implementing at present. According to the physical examinations carried out in November 2015 and September 2017 it was confirmed the position of regular water leak from the bottom of the tank.
- (f) The deficiencies existed in the constructions of the vehicle parking garage of the Hiripitiya sub-office constructed by spending Rs.164,816 in the year 2014 had not been rectified even during the year under review and the respective construction had remained decaying.

4. Accountability and Good Governance

4.1 Budgetary Control

According to the progress report in respect of the projects executed by utilizing Pradeshiya Sabha funds by 14 August 2017, a sum of Rs.7,963,037 had been spent for twelve projects for the construction of Head Office which had not included in the budget.

5. Systems and Controls

The 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 areas of controls.

System	Observation
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(a) Accounting	(i) Understating the fixed assets in the accounts. (ii) Capital Expenditure (iii) Erroneously recorded the cost of stores materials. (iv) Failure to identify the revenue of the year.
(b) Revenue	(i) Weaknesses in the recovery of arrears of revenue. (ii) Failure to assess the properties. (iii) Action not taken to identify and gazette the areas for assessment.
(c) Fixed Assets.	(i) Non-maintenance of Registers of Fixed Assets. (ii) Existence of idle and under-utilized Assets. (iii) Action not taken for vesting of ownership of properties.
(d) Contract Administration	(i) Constructions of roads made without a proper standard. (ii) Reconstructions of buildings not up to the standard.