

**Balangoda Pradeshiya Sabha**

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

**1.1 Presentation of Financial Statements**

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The financial statements for the year under review had been presented to audit on 27 March 2017 and the financial statements for the preceding year had been presented on 24 March 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 17 August 2017.

**1.2 Qualified Opinion**

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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 Balangoda Pradeshiya Sabha as at 31 December 2016 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**

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The following matters were observed.

- (a) The value of 12 lands belonging to the Sabha included in the Register of Fixed Assets as at 31 December 2016 had not been assessed and brought to account.
- (b) A sum of Rs.25,841 incurred to obtain a new water connection for the Sabha in the year under review had been brought to account as recurrent expenditure.
- (c) The opening stock of working stores amounting to Rs.37,195 and closing stock of working stores amounting to Rs.148,290 had been adjusted to the accumulated fund account and shortages account without being adjusted to the respective expenditure accounts.

### **1.3.2 Accounts Receivable and Payable**

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The following matters were observed.

- (a) Necessary action had not been taken even by June 2017 to recover the acreage tax receivable amounting to Rs.29,043 remained brought forward for over a period of 05 years as at 31 December 2016.
- (b) Necessary action had not been taken even by June 2017, to recover trade licence fees recoverable amounting to Rs.97,500 brought forward for over a period of 08 years as at 31 December 2016.
- (c) Action had not been taken even by June 2017 to recover lease rent of trade stalls of Wellioya amounting to Rs.17,943 receivable for the period from the year 2011 to 2013.
- (d) Action had not been taken even by June 2017 to settle 05 creditor balances of the expenditure totalling Rs.224,770 in respect of the years 2009, 2012 and 2015.
- (e) Action had not been taken even by July 2017 to recover the rent receivable amounting to Rs.36,000 with regard to 11 blocks of land of the Pradeshiya Sabha at Yahakalu Mookalana area given on lease for occupation.
- (f) Out of the advances amounting to Rs.1,000,000 granted to the Sabha by the Ministry of Provincial Council and Local Government for the implementation of the National Programme for Strengthen the Pradesiya Sabhas, a balance sum of Rs.515,521 after the implementation of the projects had not been settled even by June 2017.

### **1.3.3 Lack of Evidence for Audit**

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The following matters were observed.

- (a) The Register of Fixed Assets, detailed schedules and Reports of the age analysis, Boards of Survey Reports had not been furnished to audit to confirm 04 items of fixed assets shown in the financial statements and other 02 items of accounts respectively.

- (b) The journal vouchers for 23 journal entries totalling Rs.95,798,171 had not been furnished.
- (c) Journal vouchers and journal entries totalling Rs.49,915,954 relating to 18 accounts in respect of the stocks receivable and stocks received in advance and the closing stocks had not been furnished.

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

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The following non-compliances were observed in audit.

**Reference to Laws, Rules, Regulations and Management Decisions**

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**Non-compliance**

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**(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka.**

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| (i) F.R.571                       | Necessary action had not been taken to prepare lists of “Lapsed” deposits unclaimed at the close of each half year and to settle the balance amounting to Rs.978,855 remained in the General Deposit Account as at 31 December 2016. |
| (ii) F.R.104(1), (3), (4) and 110 | Action had not been taken in respect of the loss caused to a vehicle amounting to Rs.655,114 due to an accident and the record of the loss and the accident had not been entered in a Register.                                      |

(iii) F.R.137

Nine payments had been made for services, works or supplies totalling Rs.84,260 without the approval of the Secretary of the Sabha.

(iv) F.R.371 (5)

Thirty five sub-impressts totalling Rs.474,279 issued during the period from the year 1992 to the year 2016 had not been settled even by June 2017.

**(b) 1988 Pradeshiya Sabha (Finance and Administration) Rules**

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(i) Authority iii Rule 29

Even though all money collected should be deposited in the bank daily, the daily income of the Sabha ranging from Rs.75,000 to Rs.200,000 had been retained in hand for a considerable period from 02 days to 06 days according to the audit test check.

(ii) Authority vii Rule 165

The accounts in respect of revenue totalling Rs.51,704,278 and expenditure totalling Rs.44,220,202 had not been maintained in the main ledger.

(iii) Authority viii Rule 178

In the event of any work any supply or any service execute on contracts a Procurement Committee comprising at least two members for every year should be appointed. Nevertheless, action had not been taken accordingly.

- (iv) Authority xii Rule 214                      An annual verification had not been conducted on stocks of the working stores amounting to Rs.148,290 as at 31 December 2016.
- (c) Section 36 of the Directives of the Local Government Pensions 1975.                      Action had not been taken by the Sabha to pay contributions of the Local Government Pensions totalling Rs.1,140,334 payable to the Department of Pensions to pay pension payments for the retired officers of the Local Government Service who retired prior to 03 September 1993.
- (d) Circular of the Sabaragamuwa Provincial Commissioner of Local Government No.2005/04 dated 01 June 2005.
- (i) Section 03 (ii)                      Even though, a temporary assessment of the sales value of the land blocks for which to be sold should be obtained through revenue inspector/ administrator of the Sabha before obtaining the approval for the block out plan in respect of the land sales, action had not been taken accordingly relating to 09 lands from which had been obtained a tax amounting to Rs.893,180 on land sales in the authoritative area of the Sabha during the period from the year 2015 to the year 2017.

- (ii) Section 03 (iv) Action had not been taken to enter into an agreement with the seller in respect of 13 lands sold from which obtained a tax amounting to Rs.1,245,894 on land sales of the authoritative area of the Sabha for the period from the year 2015 to 30 June 2017.
- (e) Government Procurement Guidelines 2006.
- (i) Guideline 2.5.1 (f) In purchasing of three pace Generator for the Damahana Crematorium for a sum of Rs.995,000, the approval of the Procurement Committee had not been obtained, thereon though the Technical Evaluation Committee had recommended.
- (ii) Guideline 9.3.1 A vehicle met with an accident had been repaired at a sum of Rs.655,114 without obtaining the approval of the Secretary of the Ministry of Local Government and Provincial Councils in respect of the repairs more than Rs.200,000.
- (f) Public Finance Circular No.02/2015 dated 15 July 2015 and Letter No. PCMO/PR/2013 of the Secretary to the President dated 05 June 2013. Action had not been taken to dispose a motor bicycle, a cab vehicle, 02 four wheel tractors, 03 two wheel tractors, 04 tractor trailers, 22 parts of tractors and 02 concrete mixtures which had been in the condemned condition.

- (g) Public Administration Circular No.09/2009 dated 16 April 2009. Action had not been taken to utilize a finger print machine to support the arrival and departure of the officers of the Sabha comprised 49 of the cadre.

## **2. Financial Review**

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### **2.1 Financial Results**

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According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.11,957,476 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.3,579,926 resulting an improvement in financial results of the year under review by Rs.8,377,550.

### **2.2 Analytical Financial Review**

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The increase of other revenue by Rs.5,517,545 and the decrease of expenditure on personal emoluments and supplies and equipment by Rs.3,910,800 had mainly attributed to the improvement in the above financial results during the year under review as compared with the previous year.

### **2.3 Revenue Administration**

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#### **(a) Rates**

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The arrears of rates and taxes for the year under review and the preceding years amounting to Rs.213,312 including the unrecoverable arrears of rates and taxes amounting to Rs.186,988 had not been recovered even by July 2017.

#### **(b) Stamp Fees**

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Necessary action had not been taken even by June 2017 to recover stamp fees receivable for the year under review amounting to Rs.9,002,875 and the stamp fees receivable in respect of the year 2015 from the Chief Secretary of the Provincial Council.

**(c) Court Fines**  
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Action had not been taken even by June 2017 to recover court fines amounting to Rs.856,767 recoverable for the year under review from the Chief Secretary of the Provincial Council.

**(d) Water Charges**  
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Water charges receivable amounting to Rs.14,440 brought forward from the year 2009 had not been recovered even by June 2017.

**3. Operating Review**  
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**3.1 Management Activities**  
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The following matters were observed.

- (a) Necessary action had not been taken for vesting 03 tractors in the Sabha which received during the period from the year 2011 to 2015 to the Sabha.
- (b) Necessary action had not been taken even by June 2017 in respect of securities of contracts amounting to Rs.280,711 payable to 69 contractors relating to the period from the year 1994 to the year 2010.

**3.2 Operating Activities**  
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The following matters were observed.

- (a) According to the decision of the Meeting of the Sabha held on 20 June 2015, it was decided to saw the logs of the Jack trees cut as those were blocked the garage of the office of the Sabha. Nevertheless, that decision had not been implemented even by 30 June 2017.

- (b) Out of 44 projects amounting to Rs.6,160,000 estimated to execute from the funds of the Sabha during the year 2016 included in the 4 year plan relating to the period from the year 2016 to the year 2019, the works of the 4 projects amounting to Rs.2,400,000 had not been commenced and action had not been taken to prepare estimates for 4 projects even by 30 June 2017.
- (c) Seven hundred and fifty two galvanized pipes valued at Rs.832,571 given by the Department of Divineguma Development to the Sabha in the year 2014 had been stored insecurely in the garage constructing in the Sabha premises since for a period about 03 years.
- (d) The project for repairing trade stalls of Wellioya weekly fair and the premises of the fair at a value of Rs.1,000,000 identified to implement under the programme for Strengthening of Pradeshiya Sabhas in the year under review had not been commenced even by June 2017.

### **3.3 Contract Administration**

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The following matters were observed in respect of the constructions of Damahana Crematorium.

- (a) Even though, the Technical Officer of the Weligepola Pradeshiya Sabha had informed in August 2016, that the final bill amounting to Rs.7,966,556 submitted to the Sabha on 26 January 2016 by the contractual company for the constructions of crematorium could not be recommended due to the deficiencies of the final bill, necessary action thereon had not been taken even by June 2017.
- (b) Even though, the crematorium should be serviced after the cremations done for at least 85 dead bodies, action had not been taken to service the crematorium after the renovations made in June 2015. As such smoke evicted heavily from the walls and the crematorium had been closed from December 2016.

- (c) The decision of the Sabha taken on 15 May 2015 to fix two sets of extinguisher equipment in the crematorium to extinguish fire if a fire arised suddenly had not been implemented even by June 2017.

### **3.4 Idle/ Underutilised Assets**

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The following matters were observed.

- (a) Motor vehicles and machinery equipment totalling Rs.5,505,378 had remained idle for over a period of 2 years.
- (b) Twenty three plastic children's chairs valued at Rs.8,855 had remained idle in the stores since the year 2001.

### **3.5 Human Resources Management**

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The following matters were observed.

- (a) The post of the Secretary of the Super Grade of the Public Management Service of Tertiary Level had remained vacant and an officer in the Public Management Service Grade II had been appointed by the Commissioner of Local Government on acting for the post of the Secretary from the year 2011.
- (b) Action had not been taken to fill 26 vacancies existed in the posts of Revenue Inspectors, Work Supervisor, Crematorium Operator, Ayurvedic Drugs Dispensar, Health Labourer, Librarian, Development Officer, Heavy Vehicle Drivers, Library Assistant, Field Work Labourer. As such it was observed that difficulties had arised to execute the relevant works and functions efficiently and effectively.

### **3.6 Solid Waste Management**

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The following matters were observed.

- (a) Action had not been taken to make a proper feasibility study in respect of the waste management of the authoritative area of the Sabha and to make programmes for solid waste management. The waste had been disposed of to the several places in the authoritative area without being separated decayable waste and solid waste.
- (b) Even though, a land in extent of one acre had been obtained by the Sabha on an annual lease basis amounting to Rs.22,600 from the Director General of Forest Conservation to construct a Solid Waste Management Centre in the place named Anichchiyawatha Hena land of the Grama Niladhari Division Godakumbura, that land had been abandoned due to the protest of the public. Further, necessary action had not been taken to identify another suitable place to dispose the waste.

## **4. Good Governance and Accountability**

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### **4.1 Budgetary Control**

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The estimated provision for the recurrent expenditure in the year under review amounted to Rs.46.39 million and the actual expenditure amounted to Rs.29.47 million. As such provisions of Rs.16.92 million or 37 per cent had not been utilized. The estimated provision for the capital expenditure amounted to Rs.27.83 million whereas the actual expenditure amounted to Rs.14.75 million thus the provisions of Rs.13.08 million or 47 per cent had not been utilized. Even though, a revenue of Rs.3,300,000 had been estimated from the rent of the machineries of the Sabha, the actual revenue only amounted Rs.503,580 resulting a decrease of that revenue by 85 per cent. Accordingly, it was observed that the Budget had not been made use of as an effective instrument of financial control.

## 5. Systems and Controls

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Special attention is needed in respect of the following areas of systems and controls.

<b>System</b> -----	<b>Observation</b> -----
(a) Accounting	(i) Not updated the Register of Fixed Assets.  (ii) Understatement and overstatement of revenue, expenditure and assets, liabilities in the accounts.  (iii) Non-preparation of ledger accounts on revenue and expenditure.  (iv) Not computed of closing stocks and brought to account.
(b) Budgetary Control	(i) Considerable savings on expenditure provisions.  (ii) Non-recovery of estimated revenue.
(c) Revenue Administration	Non -recovery of arrears of revenue.
(d) Human Resources Management	(i) Action not taken to fill vacancies.  (ii) Not recording arrival and departure.  (iii) Non-maintenance of visits register properly.

- (e) Solid Waste Management      Not disposing of waste regularly.
  
- (g) Contract Administration
  - (i) Non-completion of work according to the plan.
  
  - (ii) Non-maintenance of constructions properly.