

**Embilipitiya Pradeshiya Sabha**

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

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**1.1 Presentation of Financial Statements**  
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The financial statements for the year under review had been presented to audit on 30 March 2017 and the financial statements for the preceding year had been presented on 26 April 2016. The report of the Auditor General for the year under review had been forwarded to the Secretary of the Sabha on 21 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 Embilipitiya 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**

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**1.3.1 Accounting Deficiencies**  
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The following matters were observed.

- (a) Even though, it was recommended to remove the fixed assets totalling Rs.70,421 according to the Boards of Survey report for the year under review, those were eliminated from the accounts without being removed. As such the fixed assets had been understated by similar amount.
- (b) A water tank amounting to Rs.15,500 purchased in the year under review had not been brought to account as fixed assets and as such the fixed assets had been understated by similar amount.

- (c) The consumable articles totalling Rs.147,095 purchased during the year under review, had been brought to account as fixed assets and as such the fixed assets had been overstated by similar amount.
- (d) Eight cupboards purchased in the year under review had been brought to account as 10 cupboards and as such the fixed assets had been overstated by Rs.32,317.
- (e) The ayurvedic drugs amounting to Rs.233,200 received during the year had been brought to account as Rs.227,100 and as such the revenue had been understated by Rs.6,100.
- (f) The rates and taxes received in advance in the year under review had been understated by Rs.16,497. As such the liabilities had been understated by similar amount.
- (g) As 140 library books totalling Rs.60,490 received as donations in the year under review had been omitted from the accounts, the fixed assets had been understated by similar amount.

### **1.3.2 Unreconciled Control Accounts**

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A difference of Rs.550,132 was observed between the balances as per financial statements with regard to 6 items of accounts as at the end of the year under review and the balances as per subsidiary registers.

### 1.3.3 Non-compliance with Laws, Rules and Regulations etc.,

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The following non-compliances with laws, rules, regulations and management decisions were observed in audit.

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

#### Non-compliance

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

(i) Financial Regulations 571 and 571 (2)

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Action had not been taken to settle the deposits totalling Rs.682,840 relating to the period from the year 2013 to 22 November 2014.

#### (b) Establishments Code of the Democratic Socialist Republic of Sri Lanka Volume I

Chapter XXIV Section 4.1

The loan balances totalling Rs.64,223 recoverable from 12 officers who transferred out and retired had not been recovered.

## 2. Financial Review

### 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.17,706,045 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.10,449,768, thus shown an improvement of Rs.7,256,277 in the financial results as compared with the preceding year.

## 2.2 Analytical Financial Review

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The increase of 04 items of revenue amounting to Rs.8,803,922 had mainly attributed to the increase of financial results by Rs.7,256,277.

## 2.3 Revenue Administration

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### 2.3.1 Estimated Revenue, Actual Revenue and the Arrears of Revenue

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The information with regard to the estimated revenue, actual revenue and the arrears of revenue furnished for the year under review appears below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
Rates and Taxes	3,196	6,450	5,729
Lease rent	8,129	9,691	605
Licence fees	1,382	1,474	10
Other revenue	47,992	38,713	18,772

### 2.3.2 Performance in Collection of Revenue

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A comparison of the estimated revenue with the revenue collected for the year under review, showed an increase in revenue collected with regard to the items of revenue such as rates ad taxes, lease rent, licence fees and service charges by 69 per cent 16 per cent, 06 per cent and 20 per cent respectively and the revenue collected from warrant charges and fines, other revenue, and contribution made by the Government had decreased by 09 per cent, 68 per cent and 42 per cent as compared with the estimated revenue.

### **2.3.3 Rates and Taxes**

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The arrears of rates and taxes totalling Rs.1,816,516 had remained recoverable from 1426 units of rates and taxes by 30 September 2016.

### **2.3.4 Licence Fees**

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The revenue from business tax, industries tax and trade licence revenue amounting to Rs.257,280 had remained in arrears by 31 December 2016.

### **2.3.5 Other Revenue**

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The recoverable fees from 04 institutions had been under recovered by Rs.704,070 in construction of Telecommunication Transmission Towers in terms of the Schedule V of the revisions made to the Directives of the Planning and Building of the Urban Development Authority 1986 published in the Extra-ordinary Gazette Notification No.1597/8 of the Democratic Socialist Republic of Sri Lanka dated 17 April 2009.

### **2.3.6 Court Fines and Stamp Fees**

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The following matters were observed.

- (a) The Court fines received by the Sabaragamuwa Provincial Council by 21 October 2016 on behalf of the Sabha totalling Rs.5,978,127 had not been recovered even by the end of the year under review.
- (b) Action had not been taken to recover stamp fees entitled to the Sabha from July 2014 to December 2016 in respect of 03 offices of Land Registry.

### **3. Operating Review**

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#### **3.1 Performance**

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According to the Budget of the year under review, sums totalling Rs.38,137,307 comprising Rs.8,137,307 and Rs.30,000,000 had been estimated for development activities under the funds of the Sabha and other funds respectively. Nevertheless, the development activities had not been identified separately. Three hundred and six projects had been carried out by incurring Rs.543,265,535 comprising Rs.4,806,340 and Rs.538,459,195 from the funds of the Sabha and other funds respectively by the end of the year under review.

#### **3.2 Management Inefficiencies**

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In terms of the Sub section 154(1) of the Pradeshiya Sabha Act No.15 of 1987, one per cent of the tax should be recovered from the sales value of the land plots sold in an auction of a land. Nevertheless, the taxes in respect of a land auction carried out in the year 2013 within the authoritative area of the Sabha had not been recovered.

#### **3.3 Irregular Transactions**

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Despite that, the work completion report for the development work of Weerasinghapura Kanavediara Road contracted in the year 2006 had not been furnished, sums of Rs.100,000 and Rs.386,147 had been paid as first and final payment in the years 2010 and 2016 respectively.

#### **3.4 Contract Administration**

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The following matters were observed.

- (a) The temporary activities such as laying gravel in construction of roads should not be done in terms of the Paragraph 1.2 of the Finance Commission Circular No.FC/3/3/2015 dated 30 December 2015. Nevertheless, 03 roads had been developed by the Sabha using gravel by incurring a sum of Rs.1,993,495 according to the audit test check carried out.

- (b) The Technical Officer had failed to show the length of the road accurately at the physical examination carried out on 23 November 2016 in respect of the work for laying gravel for the Welipothayaya 2<sup>nd</sup> post Road of which contracted value amounting to Rs.488,100 even though the length of the road of 800 metres for which payments made had been shown as consisting of 03 sections. Further, the sections to be developed had not been explained by graphs or documents in preparing estimates of the road and in preparing payment bills. Further, a kind of white colour gravel which had not been approved had been utilized for the work. The surface of the road in first 72 meters and last 100 metres had not been levelled and compacted properly, and the shoulders of the both sides of the road had filled with stones removed from the gravel used.
- (c) At the physical examination carried out on 23 November 2016 in respect of the development work by laying gravel for the Weerasinghepura Village Road of which contracted value amounting to Rs.476,704, it was observed that both sides of the road surface had eroded in most of the places with the heavy rains due to not compacted the road after laying gravel and 07 places of the road surface about 184 metres had totally washed away.

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

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##### **4.1 Budgetary Control**

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The entire provisions made for 28 Objects in the year under review totalling Rs.568,000 had not been utilized.

##### **4.2 Annual Procurement Plan**

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A procurement plan for the year under review had not been prepared.

### 4.3 Internal Audit

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Even though, an internal audit unit had been established and an assignment had been assigned to the subject officer to carry out internal audits in the year under review, that unit had not been operated.

### 4.4 Audit and Management Committees

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Action had not been taken to establish and implement Audit and Management Committees.

### 4.5 Unresolved and Unreplied Audit Queries

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Replies to 04 audit queries had not been furnished by 31 December 2016. The value of quantifiable transactions of those queries amounted to Rs.11,811,573.

## 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>
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(a) Accounting	(i) Understatement of fixed assets. (ii) Overstatement of fixed assets. (iii) Classification errors. (iv) Overstatement of liabilities. (v) Understatement of revenue.
(b) Revenue Administration	Non – recovery of due revenue
(c) Contract Administration	Payments made for the work not executed
(d) Budgetary Control	Non utilization of Provisions