

**Imaduwa Pradeshiya Sabha
Galle District**

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2016 had been presented to audit on 31 March 2017 and the financial statements for the preceding year had been presented on 31 March 2016. The report of the Auditor General for the year 2016 had been forwarded to the Secretary of the Sabha on 10 November 2017.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Imaduwa Pradeshiya Sabha give a true and fair view of the financial position 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

The following accounting deficiencies were observed in audit.

- (a) The balance of the Accumulated Fund Account as at 31 December of the year under review had been understated by Rs.130,330.
- (b) The values of the land where the bus stand operates and the land where the fair functions at Imaduwa amounting to Rs.5,349,300 had not been brought to account.

1.3.2 Unreconciled Control Accounts

The differences observed between the balances of 05 items of accounts included in the financial statements aggregating Rs.6,861,622 and the balances as per related subsidiary registers aggregated Rs.1,754,691.

1.3.3 Accounts Receivable and Payable

The following matters were observed.

- (a) The balances of 04 accounts receivable aggregating Rs.20,272,296 had not been settled even during the year under review.
- (b) Action had not been taken even during the year under review to settle the capital expenditure payable aggregating Rs.21,368,613.

1.3.4 Lack of Evidence for Audit

Title deeds of land and buildings amounting to Rs.5,349,320, a register of fixed assets prepared with updated particulars of classification of assets pertaining to fixed assets and schedules with regard to machines and machinery, motor vehicles and carts, furniture and fittings and library books amounting to Rs.63,854,730, properly maintained registers of debtors and creditors for other arrears of revenue amounting to Rs.63,814,959 and the creditors' balance of Rs.49,728,661 had not been furnished for audit and as such these could not be satisfactorily examined in audit.

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

The following instances of non – compliance with laws, rules and regulations were observed in audit.

Reference to Laws, Rules, Regulations etc.,	Non – compliance
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Financial Regulation 570(1)(2) of the Republic of Sri Lanka

Action had not been taken with regard to deposits amounting to Rs.4,120,439 which had exceeded 02 years as at end of the year under review.

2. Financial Review

2.1 Financial Results

According to the financial statements presented to audit, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2016 amounted to Rs.3,884,360 as against the excess of recurrent expenditure over revenue for the preceding year amounting to Rs.1,254,889. An improvement in financial results amounting to Rs.5,139,249 appears in the financial results of the year under review as compared with the preceding year.

2.2 Revenue Administration

2.2.1 Rates and Taxes

The rates and taxes recoverable for the year under review and the previous years amounted to Rs.426,123. Of these, 31 per cent only had been recovered during the year under review. The Sabha had been deprived of its revenue from rates and taxes as a result of non assessment of rates and taxes after the year 1999.

2.2.2 Acreage tax

The acreage tax recoverable for the previous year and the year under review amounted to Rs.64,246. Of these, a sum of Rs.5,537 only had been recovered during the year. Action had not been taken in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987 to recover the arrears of acreage tax.

2.2.3 Licence Fees and Business Tax

The licence fees and the business tax recoverable for the year under review and the previous years amounted to Rs.274,566 and Rs.864,450 respectively. The recovery of trade licence fees and the business tax for the year under review were 42 per cent and 61 per cent respectively. Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 to recover the arrears of tax as at end of the year.

2.2.4 Court Fines and Stamp Fees

Court fines amounting to Rs.900,304 were due as at 31 December 2016 from the Chief Secretary of the Provincial Council and other authorities.

3. Operating Review

3.1 Management Inefficiencies

The following matters were observed

- (a) A sum of Rs.2,915,105 had been spent from the funds of the Sabha on behalf of 11 employees recruited on casual, temporary, substitute and contract basis.
- (b) An ayurvedic lady medical officer, 3 development assistants, a technical service officer, a lady management assistant and a pre-school teacher had continuously worked in the Sabha for 10 years, 10 to 18 years, 07 years, 10 years and 15 years respectively as an annual transfer system was not in existence.
- (c) Five employees recruited as K.K.S of the Sabha had been assigned with duties such as, inspector of works, officer in charge of the sub office, electricians and library assistants. Further, a field labourer had been assigned with the duties of a Computer Date Processor.

3.2 Solid Waste Material Management

A proper procedure was not in existence at the Sabha with regard to garbage management. The degradable garbage had been disposed of, at Horathota Kanda by burying it in the soil and the non degradable garbage had been kept in the stalls of the Sabha. Meanwhile, action had not been taken to obtain environmental licence for the present place of disposal of garbage.

3.3 Assets Management

Idle / Under utilized Assets

The following matters were observed.

- (a) The burner of the crematorium constructed at Mawella, Imaduwa at a cost of Rs.5,012,888 during 2013 had ceased functioning on 26 December 2014. Although the work had commenced again on 26 March 2016, after repairs, it had again become inoperative by 31 December 2016.
- (b) A tipper costing Rs.6,009,602 received from the Ministry of Public Administration, Provincial Councils and Local Government on 20 December 2014 remained unused since the date of receipt at the Sabha. A Tata Cab costing Rs.1,030,000 remained parked at the crematorium without being used.
- (c) Three vehicles of the Sabha costing Rs.1,959,000 remained idle without action being taken in terms of the Circular of the Ministry of Finance No 02/2015 of 10 July 2015 relating to disposal of condemned vehicles of state institutions.

4. Good Governance and Accountability

4.1 Budgetary Control

Savings aggregating Rs.28,451,459 in 08 items of expenditure, adverse variance of Rs.11,357 in another item and non achievement of targets in 08 items of revenue aggregating Rs.26,288,365 had been observed with regard to the budget for the year under review. Thus, it was observed that the budget had not been utilized as an efficient instrument of management control.

4.2 Unresolved and unreplied Audit Queries

Although it had been consented to rectify the deficiencies pointed out in paragraphs 2.2.1(a), (g),(h),(j), paragraph 4.2 (c), (d), and paragraphs 4.5 and 4.6 of the Auditor General's report of the previous year, rectifications had not been made during the year under review too.

4.3 Internal Audit

Although an internal audit officer had been appointed in terms of Financial Regulations 133 and 134 and the circular of the Commissioner of Local Government (Southern Province) No. දළපා/යන/01/න.ව.මළ of 24 February 2014, adequate internal audit had not been carried out.

4.4 Implementation of Audit and Management Committees

Action had not been taken even by end of the year under review to establish Audit and Management Committees in terms of provisions in the Audit and Management Circular No. DMA/2009 (i) of 09 June 2009.

5. Systems and Controls

Deficiencies observed during the course of audit were brought to the notice of the Sabha by audit queries from time to time. Special attention is needed in respect of the following areas of systems and controls.

System	Main deficiency in the System
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(a) Fixed Assets	Repairs had not been made to the crematorium and machinery lying idle so that those could be used.
(b) Control over Vehicles	(i) Consumption of fuel by vehicles of the Sabha had not been tested.
	(ii) Certain vehicles had been allowed to corrode without being used.
	(iii) Log books of vehicles had not been maintained.
(c) Collection of Revenue	(i) Proper method had not been prepared and adopted to recover arrears of revenue
	(ii) Proper methods had not been prepared to harvest the cultivation of cinnamon.
	(iii) New rates and taxes had not been assessed after 1999.
	(iv) Action had not been taken to resolve ownership of stalls and to give them on lease.
	(v) Rates and taxes had not been recovered from developed areas.
(d) Accounting and Maintenance of Registers	(i) The balances brought forward from previous years had not been settled.
	(ii) A register had not been maintained for the loans of the Local Loans and Development Fund.

- (iii) The Sabha had not maintained the following registers even by end of the year under review.
- A register of losses and damages
 - A register of creditors
 - A register of debtors
 - A register of fixed assets for computers, accessories and software.
- (iv) A register of fixed assets showing separate details of types of assets had not been maintained
- (v) The land and buildings vested with the Sabha had not been brought to account.
- (vi) A register containing details of vehicles had not been maintained.

(e) Staff Management

- (i) Action had not been taken to regularize the excess cadre and to fill the vacancies.
- (ii) Duties not relevant to the posts had been assigned.

(f) Budgetary Control

- (i) Savings had been made in 08 items of expenditure for which provision had been made in the annual budget.
- (ii) Expenditure in excess of the limit had occurred in one item of expenditure.
- (iii) Adverse variances in 08 items of revenue had caused non achievement of the targets.