

Embilipitiya Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2017 had been presented to audit on 26 March 2018 and report of the Auditor General on the financial statements had been forwarded to the Chairman on 18 June 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 Embilipitiya 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) Even though, the revenue from court fines in the year under review amounted to Rs.9,843,880, it was brought to account as Rs.9,531,393, and as such the revenue for the year had been understated by Rs.312,487.
- (b) The revenue from rates and taxes in the year under review had been understated by Rs.58,089.
- (c) The provisions for audit fees for the year under review had not been made.
- (d) The fixed assets totalling Rs.262,110 purchased during the year under review had not been capitalized as such the balance of the property, plant and equipment had been understated by similar amount.

1.3.2 Unreconciled Accounts

The following matters were observed.

- (a) A difference of Rs.1,532,385 was shown between the balances as per financial statements with regard to 05 items of accounts as at the end of the year under review and the balances as per subsidiary registers.

(b) A difference totalling Rs.311,219 was shown relating to 03 items accounts as compared the actual expenditure for the year with the combined expenditure summary and creditors summary.

(c) A difference of Rs.98,996 was shown between the employees security deposits account and the balance of the employees security deposits investment account.

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

The advances granted in 37 instances during the period from the year 1988 to 2016 totalling Rs.1,725,412 had not been settled even by 31 December 2017 in terms of Financial Regulation 371(2) of the Democratic Socialist Republic of Sri Lanka.

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.21,488,345 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.17,706,045.

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.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rates and Taxes	5,245,764	6,585,755	8,256,303	4,292,981	3,168,764	6,450,263	5,349,156	5,728,549
Lease Rent	9,564,107	9,642,798	10,252,848	-	8,129,290	9,690,500	9,422,490	604,800
Licence Fees	1,191,000	2,255,312	1,802,712	460,600	1,381,500	1,473,850	1,463,850	10,000
Other Revenue	12,575,570	20,153,129	16,991,974	17,148,428	10,987,550	15,048,906	8,164,206	14,846,953

2.2.2 Performance in Collection of Revenue

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 and taxes, lease rent, licence fees, service charges, warrant charges and fines and other revenue by 57

per cent, 07 per cent, 51 per cent, 04 per cent, 03 per cent and 85 per cent respectively and the revenue collected from the contribution made by the Government had decreased by 30 per cent as compared with the estimated revenue.

2.2.3 Rates

The arrears of rates as at 31 December 2017 amounted to Rs.1,866,729 and it included a balance totalling Rs.341,497 recoverable from 409 units brought forward for over a period of 05 years. The action of the Sabha for recovery of arrears had been at a weak level.

2.2.4 Licence Fees

Even though, the licence fees had been paid by 187 business places during the first quarter of the year under review and 317 business places during the period from April to November, the licences issued during the year under review had been only 23.

2.2.5 Other Revenue

The following matters were observed.

- (a) The Sabha had failed to recover arrears of water charges totalling Rs.1,353,906 recoverable from the consumers whose water supply had been disconnected during the period from the year 2014 to 2017. Further the water charges totalling Rs.575,597 had to be recovered from present consumers by 31 December 2017.
- (b) The Sabha had failed to recover charges for telecommunication transmission towers totalling Rs.57,000 recoverable from 05 institutions for the year under review and for the preceding year.
- (c) Adequate action had not been taken by the Sabha in respect of recovery of charges for advertisement hoardings amounting to Rs.452,600 recoverable for the year under review.

2.2.6 Court Fines and Stamp Fees

The following matters were observed.

- (a) Action had not been taken to recover court fines totalling Rs.11,090,647 recoverable relating to the period from October 2016 to December 2017 even by March 2018.
- (b) Action had not been taken to recover stamp fees totalling Rs.5,111,436 recoverable for the period from January 2016 to December 2017 even by March 2018.

3. Operating Review

3.1 Performance

The matters revealed in respect of execution of activities that should be executed under Section 3 of the Pradeshiya Sabha Act 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 are given below.

(a) Solid Waste Management

The following matters were observed.

- (i) The Bio-degradable waste and solid waste collected by the Sabha has been disposed to an empty land of the Government which situated about 01 kilometer distance to the Chandrika Wewa.
- (ii) It was observed that the gully waste has been disposed improperly to an empty land in the jungle which uninhabited, while the Sabha had failed to plan and to implement a proper programme relating to the waste management.

(b) Sustainable Development Goals

Even though, the Sabha had known the 2030 Agenda of the Sustainable Development Goals, the long term plans in respect of upgrading the livelihood and the health of the people in the authoritative area of the Sabha through global indicators for that objectives had not been prepared even by May 2018.

3.2 Assets Management

Maintenance and Repairs not carried out

The following matters were observed.

- (a) A cab vehicle removed from running from 06 May 2015 had been sent for repairs with a delay up to 16 February 2017 while the repairs had not been completed even by April 2018. Similarly, the Double Vibrating Roller which handed over to the Dimo Institute for repairs in the year 2016 as well had not been repaired even by April 2018.
- (b) Action had not been taken either to repair and take into the operational level or to dispose of 02 vehicles removed from running totalling Rs.1,352,500 and a trailer of which the value could not be identified.

3.3 Procurements

3.3.1 Procurement Plan

A Procurement Plan for the year under review had not been prepared.

3.3.2 Contract Administration

The following matters were observed.

- (a) A sum of Rs.482,059 had been paid for the work not executed relating to 04 works implemented by the Pradeshiya Sabha. Details appear below.
 - (i) Even though, the payments of Rs.1,911,704 had been made for concreting Panamura Alimankada Road with a width of 03 metres and up to a length of 249 metres, a sum of Rs.85,988 had been over paid for 11.2 metres for which had not been concreted, as the actual length of the road concreted was only 237.8 metres.
 - (ii) Even though, the payments of Rs.1,848,698 had been made for development of the road of 167 metres length under 1st section of the work of Development of Kadurugasara Halmillaketiya Road, over payment of Rs.107,379, made for the 9.7 metres length of the road which had not been executed as the actual length of the road developed was only 157.3 metres.
 - (iii) Over payments totalling Rs.96,104 made relating to 04 items of work, which estimated value amounting to Rs.528,875 in respect of the work of formation of the roof of Pallebedda sub office.
 - (iv) Over payments totalling Rs.192,588 made for 02 items of works in respect of completion of balance work of community hall in the Grama Niladhari Division of the Maduwanwela Colony which estimated cost amounting to Rs.1,926,102.
- (b) Even though, the payments of Rs.620,038 and Rs.68,500 had been made for transport of soil from outside to fill road shoulders and for transport of the roller to compact the soil respectively for 11 concrete works of the roads implemented under Pradeshiya Sabha. It was observed at the physical examination that the soil available in the same places had been utilized for earth filling and the compaction of soil also had not been carried out. As such the payments totalling Rs.688,538 had been made for the work not executed.
- (c) The estimates had been prepared to execute under direct labour basis to construct of a garage in the Sabha premises for the purpose of parking of motor bicycles of the staff. Even though, the construction materials had been purchased and given to a private institution by incurring Rs.148,352 on 15 December 2015 the garage had not been constructed even by May 2018.

4. Accountability and Good Governance

4.1 Budgetary Control

The following matters were observed.

- (a) The entire provisions of Rs.1,230,000 made for 12 Objects had been saved.
- (b) Even though, the estimated provision for 18 Objects amounted to Rs.12,870,765 the actual expenditure amounted to Rs.21,887,622, thus a sum totalling Rs.9,016,857 had been incurred exceeding the approved provisions.

4.2 Audit and Management Committees

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

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	Deficiency
-----	-----
(a) Accounting	(i) Failure to identify the expenditure. (ii) Understatement of Revenue. (iii) Unreconciliations of ledger accounts and subsidiary registers. (iv) Unreconciliation of votes ledger and financial statements.
(b) Revenue Administration	Non – recovery of due revenue
(c) Assets Utilization	Existence of idle and underutilized assets.
(d) Solid Waste Management	Failure to dispose properly.
(e) Contract Administration	Payments made for the work not executed
(f) Budgetary Control	(i) Savings of provisions. (ii) Incurred excess expenditure.