

Balangoda Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2018 had been presented to audit on 27 February 2019 and the summary report of the Auditor General had been issued to the Chairman on 16 May, 2019 and the detailed Management Report had been issued to the Chairman on 31 May, 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion Section 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 2018 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for the qualified opinion

Audit Observation	Recommendation	Opinion of the Accounting Officer
(a) The value of 13 lands included in the fixed asset register as at the last date of the year in review had not been assessed and brought to account.	Action should be taken to assess and bring to account the fixed assets.	Actions will be taken to access and bring to account in the future.
(b) 583 galvanized pipes amounting to Rs. 645,381, received from the Department of Divineguma Development during November, 2014 had not been brought to account as immovable assets.	Should be brought to account as immovable assets.	Actions will be taken to bring to account when preparing accounts for the year 2019.
(c) A sum of Rs. 5,440,572 receivable for the projects of the Provincial Council during the year under review had not been brought to account.	Receipts should be identified accurately and brought to account.	Actions will be taken in the future to bring to account correctly.
(d) A sum of Rs. 23,000/- recurrent revenue relating to the previous year and a sum of Rs. 807,477/- capital revenue had been brought to account as recurrent revenue and capital revenue of the year under review.	Periods need to be identified accurately and brought to account.	A mistake. Actions will be taken to avoid such shortcomings in the future.

- | | | | |
|-----|--|--|--|
| (e) | A sum of Rs. 5,440,572/- payable to the contractors relating to construction of industries during the year under review had not been brought to account. | Accumulated expenditure need to be identified accurately and bring to account. | Actions will be taken to bring to account accurately in the future. |
| (f) | 15 Industrial Creditor balances totaling Rs. 963,083, relevant to the period from 2012 to 2016 had not been settled even by March, 2019. | Need to be settled the accounts timely. | Actions will be taken to settle these industrial creditor balances in the future. |
| (g) | 05 expenditure creditor balances totaling Rs. 76,375/- relevant to the years 2009, 2012, 2015 and 2016 had not been settled even by March, 2019. | Need to be settled the accounts timely. | Actions will be taken to settle these expenditure creditor balances in the future. |

1.4 Non Compliances

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

The instances of non-compliance with laws, rules, regulations and management decisions are given below.

Reference to laws, rules, regulations and management decisions.	Non-compliance	Value	Recommendations	Opinion of the accounting officer
-----	-----	-----	-----	-----
(a).(i) Sub section 1(a) and (b) of Section 24 of Pradesiya Sabha Act No. 15 of 1987	Actions had not been taken regarding the roads belongs to Pradeshiya Sabha after the year 1974.	-	Actions need to be taken in compliance with the provisions of the act.	Actions will be taken in the future as per the provisions of the act regarding the roads belongs to the Pradeshiya Sabha.
(ii) Section 154 (1)	Although 1 percent tax need to be paid to the Pradeshiya Sabha out of the money received from selling of blocked out lands, no tax had been levied from 06 land plots.	-	Actions need to be taken in compliance with the provisions of the act.	I will look into the blocked out lands in the future and take actions as per the provisions of the act.

(b).	Financial Regulation of the Democratic Socialist Republic of Sri Lanka				
(i)	Financial Regulation 371 (5)	37 advances issued during the period from the year 1992 to the year 2018 had not been settled even by February, 2019	557,848	Actions need to be taken as per the financial regulations	I will look into the matter and settle it in the future.
(ii)	Financial Regulation 571	Necessary actions had not been taken to dispose of 266 unclaimed lapsed deposits	1,610,698	Actions need to be taken as per the financial regulations.	Actions will be taken in the future to dispose unclaimed deposits at the end of every half year.
(c).	Asset Management Circular NO. 01/2018 dated 19 March 2018 of the Secretary to the Treasury.	Actions had not been taken to dispose of a Cab, 02 four wheel tractors, 03 two wheel tractors, 04 tractor trailers and 22 tractor parts which had been in the condemned condition as per the board of survey report.	-	Actions need to be taken as per the circulars.	Legal ownership of this cab and machinery had not been transferred to the sabha and as per the decision of the sabha steps are taken to obtain the ownership. Divisional Secretary has been acknowledged about this and actions will be taken to auction these decaying cab and machinery.
(d).	Section 3.4 of the Procurement guideline - 2006 of the Democratic Socialist Republic of Sri Lanka.	Office equipment had been purchased on 04 instances calling bids from one institution contrary to the provisions of the procurement guidelines	467,833	Provisions of the procurement guidelines should have been followed.	We did not called bids from other institutions as the institution we purchased goods also a manufacturer and actions will be taken to purchase calling bids from few institutions.

2. Financial Review

2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2018 amounted to Rs.6,220,848 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.8,830,848.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and Arrears of Revenue

The information relating 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	2018				2017			
	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as of December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total deficit as of December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and taxes	1,723,425	1,723,425	1,306,730	269,540	1,523,380	1,523,380	2,324,990	253,318
(ii) Rents	3,389,750	3,396,000	2,679,638	74,343	3,553,375	3,553,375	2,188,057	158,343
(iii) License Fees	507,500	507,500	620,916	141,100	232,500	232,500	312,310	96,100
(iv) Warrant fees and fines	2,052,500	2,787,045	2,460,690	2,937,182	2,602,500	2,663,582	1,349,935	2,651,591
(v) Other revenues	7,767,500	7,767,500	676,584	19,812,938	5,908,500	5,388,500	9,523,338	12,506,264

2.2.2 Rates and taxes

Audit Observation

Actions have not been taken according to the instructions of the circular No. 1988/22 dated 17 May 1988 of the commissioner of local government. Last property assessment has been done in 2005 and steps were not taken to increase the assessment revenue by a new property assessment.

Recommendation

Actions should have been taken as per the circulars.

Opinion of the Accounting Officer

Valuation Department has been informed several times by letters to do a new assessment regarding assessment taxes and the District Valuer has informed us that our Pradeshiya Sabha has been included to the Assessment Revision Programme – 2019 and the activities of that programme have to be started this year.

2.2.3 Court Fines and Stamp Fees

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----
Actions had not been taken to recover the court fines receivable amounting to Rs. 2,937,182/- as at 31 December, 2018 and to identify and recover the stamp fees receivable relating to the year 2017 and 2018 from the Chief Secretary of the Provincial Council even by February, 2018.	Actions should have been taken to collect the revenue.	Schedules have been submitted to the Commissioner of Local Government in order to get the court fines for the year 2018. Stamp fees for the year 2017 has been given to the Provincial Revenue Commissioner's Office by the Land Registry and steps will be taken to get that money to the Sabha in the future.

3. Operational 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) By-laws

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----
Actions had not been taken to enact by-laws for 28 matters out of 30 main matters which should enact by-laws as per the section 126 of the Pradeshiya Sabha Act, even by Nov. 2018.	Actions should have been taken to prepare by-laws.	Actions will be taken to get prepare the by-laws in the future.

(b) Solid Waste Management

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----
Actions had not been taken, to restart the solid waste management centre which was started the construction in 2015 and later abandoned due to public resistance having	Expeditious measures should be taken regarding garbage	In order to collect the garbage in the authoritative area of the Sabha, a time table has been prepared and the roads have

identified a suitable place even by the end management. of the year under review.

Due to that, garbage are not collected within the authoritative area of the Sabha and it may cause to occur public health and environmental problems.

been divided as per the zones. But, garbage is not collected as a suitable removal land or garbage yard to put garbage is not available to the sabha and steps have been taken to obtain a land for that.

(c) Sustainable Development Goals

Audit Observation	Recommendation	Opinion of the Accounting Officer
<p>-----</p> <p>Although the Sabha had aware in respect of the 2030 agenda relating to the sustainable development goals, actions had not been taken to identify the sustainable development objective based data, milestones that need to be reached as well as indicators for measuring the progress.</p>	<p>-----</p> <p>Actions should have been taken to prepare long term plans relating to the sustainable development objectives.</p>	<p>-----</p> <p>Actions will be taken in the future to prepare long term plans relating to the sustainable development objectives.</p>

3.2 Management Inefficiencies

Audit Observation	Recommendation	Opinion of the Accounting Officer
<p>-----</p> <p>(a) It is unable to accomplish 08 projects estimated value amounting to Rs. 7,700,000/- as per the budget of the year 2018 due to non-receiving of allocations even by the end of the year under review.</p>	<p>-----</p> <p>Actions should have been taken to prepare the budget for capital projects on priority basis and to make sure the receiving of allocations.</p>	<p>-----</p> <p>Although funds were allocated for development projects by the budget of 2018 on public requests, due to non-receiving of allocations from the central government and the provincial council, we were unable to complete the development projects as expected.</p>

- (b) Although the duties pertaining to each transaction must be assigned separately, one officer was assigned the cash book, deposit, creditor and advance ledgers, writing cheques, preparation of account reports and preparation of final reports and due to that there was a risk of financial irregularities. Works needs to be divided so that one person's work is supervised by another. When assigning duties in the future, actions will be taken to distribute these duties among several persons.

3.3 Human Resource Management

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----
(a) Grade 1 officer of the Public Management Assistant Service has been appointed to cover up the duties of the Post of Secretary since 2017	Actions should be taken to fill the vacancies	Acting secretary has been appointed by the letter of the Secretary of the Provincial Public Service Commission. The commissioner's office has been informed on several occasions regarding vacancy of that post.
(b) By not taking actions to fill vacancies in the posts of work field administrator, Ayurvedic dispenser, crematorium operator, Librarian, heavy vehicle operator, Health Labourer, Work field labourer and driver, it is unable to perform the duties effectively and efficiently.	Actions should be taken to fill the vacancies	Chief Secretary and the Commissioner of Local Government have been informed that these post are vacant. Actions will be taken to recruit for the primary post which could be recruited by the Pradeshिया Sabha, in the future.

3.4 Operational Inefficiencies

3.5 Asset Management

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----

<p>Actions had not been taken to enter into an agreement including the condition that 1% of the land value will be paid by the seller to the sabha. Actions had not been taken to transfer through deeds in respect of 70.37 perches allocated to the Sabha from 22 land auctions from the year 2006 to the year 2018 and did not get confirm the value of these auctioned lands and the correctness of the deed numbers.</p>	<p>Action should be taken to enter into an agreement with the seller and to obtain the deed of the relevant lands.</p>	<p>I kindly inform that actions will be taken in the future to enter into an agreement including the 1% tax, to obtain the deed from the land in extent 70.37 perches by contacting the auctioneer and to verify the correctness of deeds from the land registry , regarding auction lands.</p>
---	--	---

3.5.1 Non- registration of assets

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----

<p>Although the sabha has non-movable assets amounting to Rs. 58,581,138/- as at the end of the year under review, relevant asset registers had not been updated.</p>	<p>Fixed asset register and detailed schedules have to be updated.</p>	<p>I will prepare detailed schedules and update the documents in the future.</p>
---	--	--

3.5.2 Idle and under- utilized assets

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----

<p>(a) Two tractors and a gully bowser with running condition value totaling to Rs. 5,845,318/- had</p>	<p>Actions should have been taken to utilize the assets in a usable</p>	<p>These vehicles have been parked until starting of garbage collection in the near future.</p>
---	---	---

remained idle for more than 03 years. manner.

- (b) The JCB machine and the tractor valued at Rs. 4,380,000/- had remained idle since the year 2016 and actions had not been taken to get repair and use them for the Sabha even by February, 2019. Actions should have been taken to utilize the assets of the sabha in a usable manner. Bids have been called to repair the JCB machine and sent for approval of the Secretary to the line ministry and actions will be taken in the future to repair the tractor.

3.6 Procurement

Contract Administration

Audit Observation	Recommendation	Opinion of the Accounting Officer
Although, 11 amano sheets length of 15 feet roofing to a part of non-degradable garbage yard in extent of 71 sq. mt, which was constructed incurring Rs. 98,625/- in August, 2017 had been decayed, action had not been taken to correct the situation.	Construction should be planned and implemented in a long lasting way.	Although the sheets have standard thickness, It seems that they have been decayed due to using sheets which does not have proper zinc plating.

04. Accountability and good governance

4.1 Budgetary Control

Audit Observation	Recommendation	Opinion of the Accounting Officer
Estimated provision for capital expenditure of the year under review was Rs. 27.66 Million and the actual expenditure was 12.13 Million. Therefore, out of the total provision, Rs. 15.33 Million equal to 56 percent was not utilized.	Estimates should be prepared by paying a sufficient attention to utilize the budget as a financial control agent and action should be taken to accomplish the goals.	Recurrent and capital expenditure were estimated by comparing the expenditure of previous years. Allocations were saved due to non-availability of an expenditure suit to the total expenditure. Action will be taken to prepare the budget of 2020 by paying special attention to these expenditure.

4.2 Audit and Management Committees

Audit Observation	Recommendation	Opinion of the Accounting Officer
-----	-----	-----
Audit and Management committee meetings were not held as per Public Business Circular No. 55 dated 14 December 2010.	Actions should have been taken as per the circular instructions.	I kindly inform that Audit and Management Committee meetings are holding once in every three months duration from march, 2019.