

Embilipitiya 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 14 February 2019 and the summary report and the Detailed Management Report of the Auditor General on the financial statement had been issued to the Chairman on 27 May 2019.

1.2 Qualified Opinion

In my opinion, except for the effects of the matters described in basis for qualified opinion section 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 2018 and its financial performance and financial positions of the year then ended in accordance with Generally Accepted Accounting principles.

1.3 Basis for Qualified Opinion

Audit observation	Recommendation	Comment of the Accounting Officer
(a) During the year under review Rs. 385,725 worth of library books had not been capitalized.	Fixed asset purchases should be capitalized.	Accept. Action will be taken to correct.
(b) 17 items of fixed assets worth of Rs.252,444 were removed from the books prior to disposal.	After disposal they should be removed from the books.	Accept. Action will be taken to correct.
(c) No audit fees had been provided for the year under review.	Accrued expenses should be allocated in the accounts.	Corrections will be made next year.
(d) During the year Rs. 395,070 of consumer goods had been capitalized.	Must be properly accounted.	Accept. Action will be taken to correct.
(e) Two computers purchased for Rs. 185,500 in the year under review had not been capitalized.	Fixed asset purchases should be capitalized.	Accept. Action will be taken to correct.
(f) According to the financial statements at the end of the year under review there were Rs. 43,488,253 differences between the balances of the financial statement and balances of the supporting documents related to 07 accounts subjects.	Balance should be compared and corrected.	Steps will be taken to investigate and correct the situation.

- (G) There was a difference of Rs. 160,529 between the Employees 'Deposit Account and the Employees' Deposit Investment Account. The difference between the respective account balances needs to be identified and settled. Steps will be taken to investigate and correct the situation.

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	Recommendation	Comment of the Accounting Officer
(a) Code of Financial Regulation of the Democratic Socialist Republic of Sri Lanka Financial Regulation 371(2)(C)	From 1988 to 2014, the total number of advances amounting to Rs. 1,898,579 granted on 31 occasions had not been settled by the end of the year under review.	Must act in accordance with financial regulations.	A portion of the unpaid advance balance has been recovered and the balance will be recovered in the future.
(ii) Financial Regulation 571	From 2014 to 2016, Rs. 203,857 regarding lapsed deposits have not been dealt with.	Must act in accordance with financial regulations.	According to the Financial Regulations, 965,937 has been adjusted to the final account of 2018 and removed from the deposit register.
(b) Paragraph 02 (iv) of Sabaragamuwa Local Government Commissioner Circular No: 2005/04 dated 1st June 2005	Three land auctions had been approved without agreeing to the terms of the circular.	Should act in accordance with the circular instructions.	Action will be taken to correct in future.

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 2018 amounted to Rs.14,124,128 as compared with the revenue over recurrent expenditure of the preceding year amounting to Rs.21,488,345.

2.2 Revenue Administration

2.2.1 Estimated Revenue, Billed Revenue, Collected Revenue and the 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 arrears as at December 31 st	Estimated Revenue	Billed Revenue	Collected Revenue	Total arrears as at December 31 st
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Rates and Taxes	7,237,764	6,838,944	5,204,861	5,904,263	5,245,764	6,585,755	8,256,303	4,292,981
(ii) Rent	12,062,300	11,648,839	11,648,839	-	9,564,107	9,642,798	10,252,848	-
(iii) License fee	1,477,000	1,616,154	1,877,354	199,400	1,191,000	2,255,312	1,802,712	460,600
(iv) Other Revenue	16,833,300	17,986,342	27,500,683	7,321,600	12,575,570	20,153,129	16,991,974	17,148,428

2.2.2 Rates and Taxes

Audit observation

The total outstanding balance of the 553 units for more than 05 years amounted to Rs. 635,223 in the balance of arrears of Rs. 909,210 as at 31 December 2018.

Recommendation

A systematic and expeditious program to recover the deficit assessments should be implemented.

Comment of the Accounting Officer

The balance of Rs. 101,173 had been recovered. When collecting the arrears there are problems such as the large number of unoccupied land, the change of ownership from time to time and the inability to identify specific owners.

2.2.3 License fee

Audit observation

- (a) Though 400 institutions within the council area have paid trade license fees for the year under review, due to delays in issuing recommendations by the Medical Officer of Health, only 150 licenses had been issued at the end of the year.

Recommendation

A systematic program to issue trade licenses must be planned and implemented.

Comment of the Accounting Officer

400 License applications have been forwarded to the Medical Officer of Health office to obtain the recommendation of the Public Health Inspector but only granted recommendation for 150 licenses .

- (b) The Sabha did not adopt a systematic procedure to identify industries which did not obtain environmental protection license in accordance with the National Environment Act No. 47 of 1980 and the regulations thereunder as amended by Act No. 56 of 2000 and Act No. 53 of 2000. Since 326 licensing agencies have not obtained the license the Sabha's responsibilities with regard to environmental protection in the area of authority were not adequately met.
- To all agencies that need environmental license action should be taken to issue permits properly.
- The Sabha identifies the institutions that need to issue environmental permits and issues permits.

2.2.4 Other Revenues

Audit observation	Recommendation	Comment of the Accounting Officer
Permanent billboards displayed in the Council area had been required to be charged Rs. 625,800 for the year under review and preceding year also.	Action must be taken to recover all the revenue that is due to the Sabha.	Action is being taken to recover the relevant amount.

2.2.5 Court fines and stamp fees

Audit observation	Recommendation	Comment of the Accounting Officer
Rs. 2,240,269 stamp Duty to be received by the Chief Secretary of the Provincial Council and other authorities as and under the year of review Stamp fess area for the year had not been identified.	The Council should identify and collect all the revenue.	As there was no information available from the Land Registry Office regarding this period, specific amount of arrears can't be identified.

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) Solid waste management

Audit observation	Recommendation	Comment of the Accounting Officer
<p>The garbage collected by the council was being unintentionally released into an empty land near a lake. The Embilipitiya MOH has reported that the water in the tank is contaminated and there is a risk of the spread of dengue due to non-decaying waste. But due to lack of suitable land for waste management, the problem could not be solved.</p>	<p>Action should be taken to acquire suitable land and to plan and implement a proper waste management program.</p>	<p>Although the Land Reform Commission has recommended recommendations from other institutions regarding the acquisition of a 5 acre land for the commencement of a garbage project, the Central Environmental Authority has not been able to take over the land as the Central Environmental Authority does not provide relevant recommendations. Therefore, a request has been made to the Mahaweli Authority of Sri Lanka to acquire another land. Also, a five-bed bund has been constructed to prevent the waste land in the landfill going to the Chandrika Wewa.</p>

(b) Sustainable Development Goals

Audit observation	Recommendation	Comment of the Accounting Officer
<p>Although the Council is aware of the 2030 Agenda for Sustainable Development Goals, the long-term plans for improving the quality of life and health of the people in the council area have not yet been prepared by December 2018.</p>	<p>A relevant long-term plan should be prepared and implemented.</p>	<p>Activities are carried out in collaboration with the Medical Officer of Health office.</p>

3.2 Management inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
<p>The assessment of assessment tax on the new valuation carried out in 2014 had not been implemented by the end of the year under review.</p>	<p>Taxes should be charged according to the new property valuation.</p>	<p>Referred to the Provincial Council on December 26, 2018 Conduct a new assessment valuation and obtain approval for tax percentage.</p>

3.3 Human Resource Management

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Seventeen vacancies existing for a long period of nine posts have not been completed by the end of the year under review.	Steps should be taken to recruit officers regularly for vacancies.	The Provincial Council has been requested to fill these vacancies. With the concurrence of the Provincial Council, the post of Watcher, Library Worker and Heavy Vehicle Operator has been recruited on contract basis.
(b) Enough action had not been taken to recover the debit balances of Rs 64,173 arrears since year 2011 from 12 retired officers.	Action must be taken to recover the arrears balance.	Action will be taken to collect the money after informing the Department of Pensions.

3.4 Operating Inefficiencies

Audit observation	Recommendation	Comment of the Accounting Officer
Last year, Rs. 220,373 taxes had been recovered less from three land auctions and the council had not taken legal action in terms of Section 154 (2) of the Act.	Legal action should be taken to recover the fees owed to the council.	Action will be taken to correct this in the future.

3.5 Asset Management

Non-receipt of assets

Audit observation	Recommendation	Comment of the Accounting Officer
A street lamp list containing details of the placement and maintenance of street lamps in the council area had not been prepared.	A street lamp should be prepared and maintained properly.	The street lamp register is being processed.

3.6 Procurement

3.6.1 Procurement Plan

Audit observation	Recommendation	Comment of the Accounting Officer
During the year under review Rs. 3,530,100 had been procured but no procurement plan had been prepared.	An annual procurement plan should be prepared.	This plan will be implemented in the future.

3.6.2 Supplies and Services

Audit observation	Recommendation	Comment of the Accounting Officer
Contrary to paragraphs 02 and 04 of the Provincial Treasury Circular No. 03/2018 dated 28th February 2018, the total amount of Rs. 672,408 worth of goods were purchased in five occasions by suppliers unregistered in Pradeshiya Sabha and Provincial Council.	Action should be taken in terms of the circular.	Since they were not available for purchase from the registered suppliers, they were quoted on the basis of an urgent need and the market quotation was purchased.

3.6.3 Contract Administration

Audit observation	Recommendation	Comment of the Accounting Officer
(a) Rs. 330,644 had paid more for non-performing work on 7 roads in the council area and Rs. 45,356 for one road development.	Contract work needs to be closely monitored and recover the over payments.	Action will be taken to recover the amount of the detention.
(b) With the provisions of the Ministry of Provincial Councils and Local Government The entrance to the Thunkama school was concreted 264.4 m at a cost of Rs. 1,918,982. Of which about 195 m on the surface cement and The granite layer had escaped. Accordingly, Rs. 1,415,310 were in vain.	Under proper supervision, the road should be rebuilt to the proper standard or to recover the loss.	The Technical Officer was consulted on the development of the Tunkama School Entrance Road and action will be taken to advise the relevant Contractor to reconstruct the rocky surface of the road using tar.

4. Accountability and good governance

4.1 Management Budgetary control

The Sabha had failed to use the annual budget as an instrument of financial control due to the following matters.

	Audit observation	Recommendation	Comment of the Accounting Officer
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(a)	A total of Rs. 100,266,600 allocation had been remained for the 11 expenditure subjects under review in the year under review.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Attention will be given to this in the preparation of next year's budget.
(b)	The total allocation for the 19 subjects under review for the year under review had remained to a total of Rs. 4,664,080, which ranged from 51 percent to 94 percent.	Action should be taken to allocate provisions with the proper planning and those provisions should be utilized effectively.	Attention will be given to this in the preparation of next year's budget.

4.2 Audit and Management Committees

Audit observation	Recommendation	Comment of the Accounting Officer
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Steps have not been taken to establish and implement the Audit and Management Committees.	Steps need to be taken to establish and implement the Audit and Management Committees.	Attention will be given to establish committees for this purpose.