

Ibbagamuwa Pradeshiya Sabha

Kurunegala District

01. Financial Statements

1.1 Submission of Financial Statements

The financial statements for the year 2019 had been presented for audit on 28 February 2020 and the Summary Report of the Auditor General on those financial statements on 24 June 2020 and Detailed Management Audit Report on 31 July 2020 have been sent to the Chairman.

1.2 Qualified Opinion

In my opinion except for the impact of the facts described in the section of the basis for the qualified opinion of this report the financial statements give a true and fair view of the financial position of the Ibbagamuwa Pradeshiya Sabha as at 31 December 2019 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

1.3 Basis for Qualified Opinion

	Audit Observation	Recommendation	Comments of the Accounting Officer
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(a)	The value of 24 lands and buildings had not been assessed and brought into accounts.	The properties owned by the Sabha should be assessed and accounted for.	It is kindly informed that an assessment of the relevant property will be made and the Register of Fixed Assets will be updated regularly.
(b)	Although the industrial credit balance was Rs.42,599,857 as per the schedules submitted with the financial statements, only a sum of Rs.15,819,846 had been accounted for.	Accurate values should be brought into accounts.	The Register of creditors had not been updated at the time of the audit.

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| (c) | The prepaid amounts in due as at 31 December of the year under review pertaining to Melsiripura bus stand shops amounted to Rs.3,703,596 had not been accounted for. | Accurate values should be brought into accounts. | Actions will be taken to correct in the year 2020 . |
| (d) | There were differences amounted to Rs.18,287,863 in between the financial statements and balances in registers pertaining to 13 account items. | Actions should be taken to correct the accounts by comparing the changes in the balances. | Actions will be taken to rectify the changes that have occurred due to various reasons, including non-balancing of documents. |
| (e) | There were differences amounted to Rs. 434,636 in between the arrears revenue and P.S Form 07 in the Statement of Financial position as at 31 December 2019 . | Actions should be taken to correct the accounts by comparing the changes in the relevant balances. | Advices have been given to correct P.S 07. |
| (f) | Due to failure to submit documents, schedules and age analysis related to 07 accounting items valued at Rs.65,365,501 those could not be satisfactorily vouched/verified during the audit. | Evidences confirming the account balances shown in the financial statements should be presented. | It is kindly informed that the schedules consisting of the details shown in the final account will be provided with the final account 2020 and the registers will be updated. |
| (g) | Three payment vouchers totalled to Rs. 204,000 were not submitted for audit. | All payment vouchers should be submitted to the audit. | Comments have not been given. |

1.4 Non-compliances

1.4.1 Non-compliances with Laws, Rules, Regulations and Management Decisions

Instances of Non-compliances with Laws, Rules, Regulations and Management Decisions are as follows.

References to Laws, Rules, Regulations and Management Decisions	Non-compliances	Recommendation	Comment of the Accounting Officer
(a) <u>Pradeshya Sabha Act No. 15 of 1987</u> Section 132 (a)	A sum of Rs. 175,310 had been incurred for a workshop held at a private hotel without the prior approval of the Minister.	Actions should be taken to spend Sabha funds economically, efficiently and effectively to achieve the objectives.	Funds have been made available for training by the Budget .
(b) <u>1988 Pradeshya Sabha (Financial and Administration)</u> Rule 5 (7)	The Chairman had not assured that an internal audit system would be maintained in a systematic manner.	A formal Internal Audit Unit should be maintained in accordance with the Rules, Financial Regulations and the National Audit Act.	Comments have not been given.
(c) <u>Financial Regulations of Democratic Socialist Republic of Sri Lanka 570,571</u>	Actions had not been taken in respect of deposits valued at Rs.5,288,014 for more than 02 years from the date of deposit.	The deposit balances for more than 02 years that can be taken to income should be identified and actions should be taken in accordance with Financial Regulations.	Comments have not been given.

2.2.2 Rates and Taxes

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Out of the balances of rates and acreage taxes amounted to Rs.4,933,871 remained in due as at 31 December of the year under review, a sum of Rs.3,166,337 had remained for more than a year.	----- Actions should be taken to recover the revenue in accordance with the Pradeshiya Sabha Act and Rules.	----- It is kindly informed that the actions will be taken for levying the arrears rates remained by making aware all relevant parties in future in terms of the Pradeshiya Sabha Act 158 (1) a, a (b) and Rules of Finance and Administration 32-42 of 1988.

2.2.3 Lease Rent

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Out of the balance of rent receivable amounting to Rs. 2,330,593 as at 31 December for the year under review, a sum of Rs.1,543,693 was relevant to 32 occasions of renting of assets remaining for many years.	----- Actions should be taken to recover the arrears balances.	----- Actions will be taken to use agreements/securities to recover the arrears.

2.2.4 License Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Arrangements had not been taken to recover license fee conducting a survey on businesses in terms of Rules 59 of the 1988 Pradeshiya Sabha (Finance and Administration) .	----- It should act in accordance with the Rules of the Pradeshiya Sabha.	----- The survey report for the year 2019 which had not been prepared as per the above file has been prepared by now as shown by the audit.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comment of the Accounting Officer
The court fines and stamp fees receivable from the Chief Secretary of the Provincial Council and Other Authorities as at 31 December were Rs.2,800,000 and Rs.17,421,396 respectively.	Actions should be taken to recover the arrears and provide an effective public service.	It is kindly informed that the court fines and stamp fees as at 31.12.2019 are to be collected only for November and December and all other money has been recovered.

3. Operating Review

3.1 Performance

The matters revealed in respect of executing of functions that should have been performed by the Sabha such as regulation, control, wellbeing of the public, facility and welfare regarding the matters public health, public utility services and public roads under Section 3 of the Pradeshiya Sabha Act are as follows.

(a) Failure to Perform Budgeted Industries

Audit Observation	Recommendation	Comment of the Accounting Officer
A Budgeted 58 industries amounting to Rs. 14,000,000 for the year under review had not been completed.	Actions should be taken to perform budgeted industries and perform public services effectively.	Although the schedule was prepared with suggestions from various organizations and Sabha Members when preparing Budget Estimate, it was unable to perform the tasks specified in the schedule due to urgent work.

(b) Solid Waste Management

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Although a 3 acres and 15.5 perches of land had been purchased incurring a sum of Rs. 6,000,000 for solid waste management, about 3360 tons of waste collected annually had been dumped in a private land without sorting.	----- Actions should be taken to sort of the waste and effectively manage perishable and non-perishable waste	----- Requests for provisions have been made through the Commissioner of Local Government to procure equipment required for the production of organic fertilizer on the lack of funds available from the Sabha Fund for the construction of an aggregate solid waste disposal center at one time.

3.2 Management Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
----- (a) The Hiripitya Fish stall built in the year 2017 at a cost of Rs. 693,412 had not been utilized to earn income.	----- Arrangements should be made to utilize Sabha funds for productive purposes.	----- As there was no other fish stall at the time of construction of the Hiripitya fish stall , it is informed that no one will take this fish stall in tender even though it was built.
(b) Out of the value of the balances of accounts receivable as at 31 December 2019, the balance due furthermore by 31 April 2020 was Rs. 31,398,387.	Actions should be taken to recover the arrears balances.	A sum of Rs. 34,240 had received from the arrears of rent of stalls .

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| (c) | Out of the value of the balances of accounts payable as at 31 December 2019 the balance for more than a year as at 31 December 2019 was Rs. 12,474,071 . | Actions should be taken settle debts payable. | Actions will be taken to set off repayable deposit incomes and tender deposit balances to the tender revenue in future . |
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3.3 Human Resources Management

(a) Staff Vacancies and Excesses

Audit Observation	Recommendation	Comment of the Accounting Officer
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(i) There were 19 vacancies for approved and actual staff and 12 employees had been recruited on casual / substitute / contract basis.	Actions should be taken to fill the essential vacancies.	Although the number of approved drivers is only 06 the number of vehicles were 16. Although the number of approved crematorium keepers has been 01, there were 02 crematoriums belonging to the Sabha. An Ayurvedic Physician has been formally recruited to work on holidays on substitute basis.
(ii) There were 03 loan balances unrecoverable amounted to Rs.135,069 during a period ranging from 03 to 07 years.	Actions should be taken to recover arrears.	A sum of Rs. 8,300 is to be recovered from the committed pension and death gratuity of two officers. It has been made aware of the balance of Rs.126,769 by letters.

3.4 Operational Inefficiencies

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>Agreement had not been entered into when handing over the Melsiripura bus stand shops on prepaid basis and although the lessee has the power to tender if the balance is not paid within 03 months as per the agreement signed on 09 February 2018 , a sum of Rs.3,703,596 had to be recovered since it had not been so acted.</p>	<p>It should act in accordance with agreements.</p>	<p>Relevant parties have been continuously informed in this regard and it is kindly informed that the legal actions will be taken in future to recover the remaining balance.</p>

3.5 Transactions in Contentious Nature

Audit Observation	Recommendation	Comment of the Accounting Officer
<p>Although the claims have been made by lessees for 06 shops on the left side of Kalugalla Road opposite, Hiripitya Pola, actions had not been to settle the ownership of those shops.</p>	<p>Sabha properties should be settled and leased out properly.</p>	<p>It is kindly informed that the actions will be taken to obtain the clear ownership of these 06 shops in future and to recover the revenue due to the Sabha.</p>

3.6 Assets Management

3.6.1 Failure to Ensure Security of Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Because of lack of safety wire fence around the land of 03 acres 15.5 perches in extent valued at Rs.6,000,000, the Sabha had lost the coconut yield of the land.	----- Actions should be taken to ensure the security of assets of the Sabha.	----- The work of constructing a security fence to this land has been included in the Budget 2020 .

3.6.2 Assets not Acquired

Audit Observation	Recommendation	Comment of the Accounting Officer
----- Arrangements had not been made to take over 03 vehicles valued at Rs.13,233,000.	----- Arrangements should be made to take over.	----- It is kindly informed that the necessary arrangements will be made to take over those 03 vehicles promptly.

3.6.3 Idle Assets

Audit Observation	Recommendation	Comment of the Accounting Officer
----- (a) The weekly fair of Ibbagamuwa which was built under the Deyata Kirula development programme in the year 2014 had remained in idle.	----- Arrangements should be made to use all the assets of the Sabha effectively.	----- Ibbagamuwa weekly fair could not be moved to the new fair building constructed under Deyata Kirula because of the cases pending in three courts including the Supreme Court regarding the ownership of the old fair land.

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| <p>(b) The gully bowser and compactor which were received as donations in the years 2015 and 2016 valued at Rs. 13,075,000 had remained idle.</p> | <p>If it cannot be used effectively, it should be handed over to an institution required them.</p> | <p>It is proposed to prepare a project proposal and obtain funds for a landfill site. It is kindly informed that the compactor can be utilized once the solid waste center is commenced.</p> |
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3.7 Improper Transactions

Audit Observation -----	Recommendation -----	Comment of the Accounting Officer -----
<p>Out of the administrative expenses received from the Divisional Secretary, Ibbagamuwa, Ganewatta from the year 2017 to 26 February 2019, crediting a 25 per cent to the Sabha Fund the remaining 75 per cent of Rs.943,842 had been distributed among 19 members of the staff on the decisions of the Sabha in contrary to the provisions of the Circular 3 (b) of the Secretary to the Ministry of Provincial Councils dated 05 June 1990 read in conjunction with the first Section of Chapter IX of the Establishments Code.</p>	<p>The provisions of the Establishments Code and the circular instructions should be followed.</p>	<p>Although it is in contrary to the Establishments Code, Financial Regulations and Circulars, it is informed that, there is no loss to the government and also it is kindly informed that the money sent for the performing of the relevant duties was paid to the relevant parties.</p>