

Embilipitiya Pradeshiya Sabha
Ratnapura District

1 Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year 2019 had been presented to audit on 05 March 2020 and the summary report and the Detailed Management Report of the Auditor General on the financial statements had been issued to the Chairman on 29 June 2020.

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 Embilipitiya 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) Capital expenditure payable relating to the year under review had been overstated by Rs.6,295,678.	Expenditure of the year should be correctly identified and brought to accounts.	Action will be taken to rectify in next accounting year.
(b) Capital Revenue receivable relating to the year under review had been overstated by Rs.6,208,700.	Revenue relating to the year should be correctly identified and brought to account.	Action will be taken to rectify in next accounting year.
(c) The recurrent expenditure of the year had been over stated by Rs.430,000 due to the posting errors of balances of ledger accounts to the financial statements as at the end of the year under review.	Expenditure of the year should be correctly identified and the financial statements should be prepared.	Action will be taken to rectify in next accounting year.
(d) Staff loan interest revenue relating to the year under review had been understated by Rs.341,592.	Revenue relating to the year should be correctly identified and brought to account.	Action will be taken to rectify in next accounting year.

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| (e) | A difference of Rs.123,821 was observed between the balance of the cash book and the cash book balance shown in the statement of financial position. | The difference between the balance of the cash book and cash balance shown in the statement of financial position should be identified and settled. | Action will be taken to rectify in next accounting year. |
| (f) | A difference of Rs.10,257,640 was observed between the balance as per financial statements relating to 07 items of accounts and the balance as per subsidiary registers. | The reason should be identified for these differences which brought forward from prior years and to be settled. | The relevant differences had remained from prior years and action will be taken to find the reason and to rectify it. |

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	Comments of the Accounting Officer
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(a) Financial Regulations of the Democratic Socialist Republic of Sri Lanka. Financial Regulation 371	The advances granted in 33 instances during the period from 1988 to 2018 totalling Rs.1,728,579 had not been settled.	Action should be taken in terms of Financial Regulations	The unsettled advances from the year 1988 to 2010 amounting to Rs.1,138,226 had been referred for the approval to write off and action will be taken to settle the other balances of advances.
(b) Public Administration Circulars			
(i) Circular No.30/2016 dated 29 December 2016 Paragraph 3.1	The fuel consumption tests for 15 motor vehicles belonging to the Sabha had not been carried out.	Action should be taken in terms of the circular provisions.	Action will be taken immediately to carry out fuel consumption tests of above vehicles.

(ii) Circular No.02/2018 dated 24 January 2018.	The performance agreements that should be signed annually for the staff had not been signed even by the end of the year under review.	Action should be taken in terms of the provisions of circulars.	Action will be taken to rectify in next accounting year.
(c) National Budget Circular No.02/2017 dated 25 July 2017.	Output indicators and main performance indicators relating to the output of institutional role had not been identified.	Action should be taken to identify respective indicators in terms of the provisions of the circulars.	Action will be taken to rectify in next accounting year.
(d) Paragraph 2(1) of the Assets Management Circular No.02/2017 dated 21 December 2017.	Registered ownership of the double cab vehicle which received from the Ministry of Local Government and Provincial Councils in February 2014 had not been vested to the Sabha even by the end of the year under review.	Action should be taken in terms of the circular provisions.	Even though, a letter had been referred to the Ministry of Local Government and Provincial Councils for vesting of this cab vehicle, the vesting activities of the vehicle had not been carried out up to now.
(e) Local Government Circular No.2018/ e-Local Government 01 dated 19 July 2018.	The Sabha had failed to establish required facilities for providing opportunity to apply services through internet to the client.	Action should be taken in terms of the circular provisions and should provide required facilities to the client.	Action will be taken to rectify in next accounting year.

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 2019 amounted to Rs.18,534,795 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.14,124,128.

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	2019				2018			
	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	6,631,131	5,732,840	6,862,416	3,007,304	7,237,764	6,838,944	5,204,861	5,904,263
Lease Rent	12,085,487	11,639,465	11,218,661	445,162	12,062,300	11,648,839	11,648,839	-
Licence Fees	1,704,000	1,522,475	1,466,275	195,600	1,477,000	1,616,154	1,877,354	199,400
Other Revenue	22,929,800	26,557,946	18,081,932	16,223,389	16,833,300	17,986,342	27,500,683	7,321,600
	<u>43,350,418</u>	<u>45,452,726</u>	<u>37,629,284</u>	<u>19,871,455</u>	<u>37,610,364</u>	<u>38,090,299</u>	<u>46,231,737</u>	<u>13,425,263</u>

2.2.2 Rates and Taxes

Audit Observation

The balance of arrears of rates amounting to Rs.1,726,967 as at the end of the year under review had included the balances totalling Rs.1,356,622 older than 05 years.

Recommendation

Prompt action should be taken to recover arrears of revenue receivable to the Sabha.

Comments of the Accounting Officer

Action has been taken to recover rates from the year 2020 on the new assessment made in the year 2017. As such, it is expected to solve the prevailing problems and collect the revenue.

2.2.3 Other Revenue

Audit Observation

The arrears of water charges to be recoverable as at the end of the year under review amounted to Rs.2,568,482 and it included the balances of Rs.1,078,594 remained for over 05 years. The arrears of charges of Rs.1,356,229, decided as could not be recovered had been referred for the approval of the Commissioner of Local Government to write off. But adequate action had not been taken by the Sabha to recover arrears of charges.

Recommendation

Action should be taken to recover revenue receivable to the Sabha.

Comments of the Accounting Officer

The Water supply for 23 water consumers of Palledbedda water project had been disconnected while arrears of water charges amounting to Rs.55,980 of the same project had been referred to the Mediation Board and it is expected to recover arrears of water charges by mobile services.

2.2.4 Trade Licences

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Even though, 248 applications were received to the Sabha to obtain trade licences for the year under review, the number of licences issued amounted to 27 only due to delay of the availability of the recommendation of Public Health Inspector.	----- Action should be taken to issue trade licences during first quarter of the year for all institutions who should obtained trade licences.	----- Accepted the audit observations.

2.2.5 Court Fines and Stamp Fees

Audit Observation	Recommendation	Comments of the Accounting Officer
----- The court fines receivable from the Chief Secretary of the Provincial Council and other authorities as at 31 December 2019 amounted to Rs.16,210,240 while the stamp fees receivable had not been identified even by March 2020.	----- The revenue receivable to the Sabha should be recovered promptly.	----- Court fines schedules up to April 2019 had been prepared and sent to the Department of Local Government and stamp fees up to June 2019 had been received from the office of Land Registry, Ratnapura

3. Operating Review

3.1 Performance

The matters revealed in respect of the activities that should be carried out by the Sabha such as regularize and control over the matters of public health, public utility services and Public roads and comfort, facilities and wellbeing of the people under Section 3 of the Pradeshiya Sabha Act are given below.

(a) Not achieving of expected Output Level

Audit Observation	Recommendation	Comments of the Accounting Officer
----- Seventy seven works had not been executed out of 78 development works planned to execute during the year according to the budget, but 06 development works not included in the budget which estimated expenditure amounting to Rs.3,394,458 had been executed.	----- The annual budget should have been utilized as an effective instrument of financial control.	----- The priority for the development projects of the area was taken according to the decisions of the General meeting.

(b) **Solid Waste Management**

Audit Observation

Even though, about 180 tons of waste per month was generated within the authoritative area of the Sabha, a waste management plan in accordance with the national policies in respect of management of above waste had not been prepared.

Recommendation

A proper waste management plan should be prepared and executed.

Comments of the Accounting Officer

As a specific land to execute the waste management activities was not available for the Sabha, action is being taking to obtain a land.

3.2 **Human Resource Management**
Staff Vacancies

Audit Observation

The post of Secretary of the Sabha had remained vacant from the year 2013 and therefor the officers are being assigned on acting basis. One post of technician out of 2 posts approved had remained vacant from December 2016.

Recommendation

Action should be taken to fill vacancies of the posts which are necessary.

Comments of the Accounting Officer

Action will be taken in future to make requests for the post of Secretary and the requests had been made in respect of technical officer in several times.

3.3 **Transactions of Contentious Nature**

Audit Observation

(a) Despite that, 750 litres of fuel had been given monthly to the Chairman on the approval of the General Meeting, a monthly fuel allowance of Rs.5000 had also been paid in addition to that. The fuel allowances so paid during the period from May 2018 to December 2019 totalled Rs.95,000.

Recommendation

The payment of monthly fuel allowance was irregular.

Comments of the Accounting Officer

According to the LGC Circular 03/2012 (01) and the letters dated 28 November 2014, and 08 December 2014 the approval had been granted to pay an allowance of Rs.5000 to the Chairman and on the decision of the Sabha, 750 litres of fuel had been given for the official vehicle of the Chairman.

(b) Despite, that there is no any commitment for supplying of raw material required for the works to the community based organizations which had been entrusted the construction works of 07 road development works executed under Maganeguma project in the year 2011, the Chairman had entered into an agreement with a private company without even an approval of the Sabha and the required block stones had been supplied. But without deducting a sum of Rs.2,088,000 which should have been paid to the company relating to that the final bills and retention money of 04 works had been paid to the respective societies. The respective company had filed a case against the Sabha due to non-payment of Rs.1,308,780 payable to the company who supplied the block stones relating to above 04 works and a sum of Rs.111,475 had been incurred as legal fees of the above case by July 2019.

A proper investigation should be conducted and should be identified responsible parties.

This case is being hearing in the courts at present and the lawyers' fees had been paid to the lawyer who appears for the case on the approval of the Sabha.

3.4 Assets Management

3.4.1 Not ensured the Security of Assets

Audit Observation

 The laptop computer purchased for the use of then Chairman by incurring Rs.88,950 in April 2011 had not been obtained from him, when he was selected t as a member of the Provincial Council in the year 2012.

Recommendation

 A proper procedure should be executed in respect of existence and the security of the assets and action should be taken to recover the losses.

Comments of the Accounting Officer

 As per the decision taken by the general meeting on 16 January 2020 the legal actions has been instituted.

3.4.2 Annual Boards of Survey

Audit Observation

Action in terms of Financial Regulation 103 and 104 had not been taken in respect of the shortage of 174 units relating to 42 categories of goods belonging to the Head Office identified as shortages in the Boards of Survey Reports of the years 2017 and 2018 even by the end of the year under review.

Recommendation

Action should be taken in terms of Financial Regulations.

Comments of the Accounting Officer

It is expected to take action in the year 2020 in terms of Financial Regulations.

3.5 Procurements

3.5.1 Procurement Plan

Audit Observation

Even though, a procurement plan had not been prepared for the year under review, procurements valued at Rs.3,299,480 had been made.

Recommendation

An annual procurement plan should be prepared and get approved.

Comments of the Accounting Officer

Action has been taken to prepare a procurement plan for the year 2020 and action to make purchases is being taken accordingly.

3.5.2 Supplies and Services

Audit Observation

Even though, the suppliers had been registered for the year 2019 a Register of Registered Suppliers had not been maintained. Despite, that the registered suppliers were available in the Sabha to purchase tyres and tubes, the quotations had been called from one registered supplier and 2 unregistered suppliers and the tyres and tubes had been purchased by incurring Rs.952,200 contrary to the Guideline 3.4.3(c) of the Procurement Guidelines.

Recommendation

Action should be taken in terms of the Procurement Guidelines.

Comments of the Accounting Officer

Action had been taken to maintain a suppliers register for the year 2020 and action will be taken in future to take steps in accordance with the Procurement Guidelines.

**4. Accountability and Good Governance
Unresolved Observations**

Audit Observation

The bio degradable waste and the solid waste collecting by the Sabha are being released to a bare land situated near Chandrika weva tank without being separated. The Medical Officer of Health, Embilipitiya had reported that the water of the tank getting contaminated due to irregular disposing of waste and there is a risk of spreading of Dengue disease due to solid waste. The community of the area and the various organizations had made protests as well against the disposing of waste close to the Chandrika Wewa tank.

Recommendation

A suitable land should be vested and a proper waste management programme should be planned and implemented.

**Comments of the
Accounting Officer**

As a specific land was not available with the Sabha to carry out the waste management activities, action will be taken to obtain a land.