

Embilipitiya Pradeshiya Sabha

Ratnapura District

01. Financial Statements

1:1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 27 March 2012 and the financial statements for the preceding year had been presented on 30 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 30 August 2012.

1:2 Opinion

So far as appears from my examination and to the best of information and according to the explanations given to me, I am of opinion that the Embilipitiya Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report, forwarded to the Chairman, the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Embilipitiya Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year then ended.

1:3 Comments on Financial Statements

Lack of Evidence for Audit

Non – Submission of Information for Audit

Transactions totalling Rs. 51,349,738 could not be satisfactorily vouched in audit due to the non - submission of required information to audit.

2. Financial and Operating Review

2:1 Financial Result

According to the financial statements presented, the excess of revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.6,572,111 as compared with the excess of revenue over recurrent expenditure amounting to Rs.3,815,080 for the preceding year.

2.2 Financial Control

The total of the balances according to the control accounts relating to 03 items of accounts amounted to Rs. 6,174,578 and the total of the said account balances according to the subsidiary registers amounted to Rs. 5,274,312

2:3 Revenue Administration

2:3:1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, the actual revenue and the arrears of revenue for the year under review and the preceding year, as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2,817	2,730	3,531
(ii) Lease Rent	5,481	6,587	214
(iii) Licence Fees	524	524	-
(iv) Other Revenue	9,755	6,395	7,284

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	5,143,313
(ii) Stamp Fees	2,137,891

2.3.3 Lease Rent

The following observations are made

- (a) An income of Rs. 36,160 relating to the years 2010 and 2011 had not been recovered to the funds of the Sabha from a fish stall owned by the Sabha.
- (b) Action had not been taken to recover outstanding lease rent amounting to Rs. 630,593 recoverable as at 31 December 2011 from a weekly fair owned by the Sabha

2.3.4 Trade Licence Fees

The Sabha had been deprived of an approximate income of Rs. 68,250 for the year under review due to proper non fulfilment of activities with regard to obtaining applications for trade licences and other activities

2.3.5 Water Charges

Meters had not been fixed to enable to compute the charges with regard to the Therunansegama Water Supply Scheme and the revenue billed for the period June 2011 to October 2011 amounted to Rs. 382,500. But, no charge had been recovered from 60 water consumers for the above period and therefore the Sabha's fund had been deprived of an income of Rs. 323,608

2.4 Idle and Underutilized Physical Resources

The vibrating roller owned by the Institution had been repaired from a private institution and a sum of Rs. 306,537 was payable to them. A case had been filed due to the failure of paying the above money and a sum of Rs. 6,000 had been paid for the case. However, action had not been taken to make use of this machine even as at 22 November 2011, the date of audit examination and as such, the said machine remained idle and underutilized from 2009 to 30 August 2012.

2.5 Transactions Not Supported by Adequate Authority

The following observations are made.

- (a) According to Section 19(1) of the Pradeshiya Sabha Act No. 15 of 1987, the prior approval of the Commissioner of Local Government should be obtained for recruitments based on allowances. Nevertheless, 04 employees had been recruited during the year under review without such authority and allowances amounting to Rs. 450,889 had been paid to them. Further, the duties relating to the posts for which 02 employees had been recruited had not been assigned to them.

- (b) According to Section 132(j) of the Pradeshiya Sabha Act No 15 of 1987, a maximum of Rs. 1,000 can be paid per year for educational activities without the approval of the relevant Minister. But, a sum of Rs. 13,290 had been paid for publicity with regard to a spoken English course without approval. Action had not been taken to obtain information by the Sabha on conducting and co-ordination of the course, the number of students participated or any other relevant information.

2.6 Irregular Transactions

A sum of Rs. 100,000 had been paid to procure curtains for the new Sabha Building and the documents submitted for obtaining this service had been falsified and incorrect information had been furnished. Disciplinary action had not been taken against the officers who had done the irregular act, according to Schedule 1 of Part II of the Establishments Code of the Democratic Republic of Sri Lanka.

2.7 Contract Administration

The following observations are made

- (a) A physical check carried out on 22 November 2011 revealed that an overpayment of Rs. 15,875 had been made in respect of works not carried out under item No 1.2 of the job for preparation of the Udawalawa Library.

- (b) The Udawalawa C.D.E Road repaired had cracked within a very short period and a physical check carried out on 22 November 2011 revealed that the second tar coating had not been properly done. Accordingly, the sum of Rs. 1,645,223 spent for this job had become fruitless.

2.8 Operating Inefficiencies

The following observations are made.

- (a) Salaries amounting to Rs. 92,932 had been paid to a Management Assistant for the period 22 August 2011 to 22 November 2011 for carrying out duties in the Udawalawa Pradeshiya Sabha sub-office. But, there were no duties to carry out in that office as per duty list and the said duties had been carried out by the Pallebedda sub-office.
- (b) The recommendations of the Board of survey had not been implemented in respect of goods totalling Rs. 262,026 indentified at the verification of goods for the year 2010.
- (c) Action had not been taken to pay the installments totalling Rs. 1,185,891 from the 3rd quarter of 2010 to the 4th quarter of the year under review to the Local Loans and Development Fund in respect of the loan obtained from the Local Loans and Development Fund.
- (d) Action had not been taken to get the reimbursements from the Provincial Council for the property loan interest amounting to Rs. 45,385 paid from the Sabha's fund through 14 vouchers from 2009 to August 2011 in respect of interest payable by the government for property loans of employees.
- (e) Reimbursements had not been obtained from the Provincial Council even as at 22 December 2011, the date of audit examination, with regard to the advances amounting to Rs. 839,685 paid through 15 vouchers from 1994 to August 2011 in respect of 15 jobs done from the funds of the Provincial Council.

- (f) According to Financial Regulation 371(2) of the Democratic Socialist Republic of Sri Lanka, the advances obtained for a particular activity should be settled immediately by after the completion of the activity, and it should not be delayed beyond 31 December of the financial year in which the imprests is paid. But, the balance of unsettled advances as at end of the year under review amounted to Rs. 1,544,931.
- (g) The total of the staff loan balances outstanding for over one year as at 31 December 2011 was Rs. 57,087 and the total of the balances of the accounts receivable was Rs. 1,250,343
- (h) The corporate plan, action plan and the annual performance report had not been prepared.

2.9 Solid Waste Management

Irregular dumping of garbage within the area surrounding the Pallededa sub-office and the public library had resulted in the environment surrounding the office and the public library filled with bad smell causing the area to become a dirty, adverse public health place.

03. Systems and Controls

Special attention is needed in respect of the following areas of systems and controls.

- (a) Accounting
- (b) Revenue Control
- (c) Budgetary Control
- (d) Vehicle Utilization