

## **Imaduwa Pradeshiya Sabha**

### **Galle District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 28 March 2013 and the financial statements for the preceding year had been presented on 30 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 28 August 2013.

##### **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 Imaduwa Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2012 and except for the effects on the financial statements of the matters referred to in my report 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 Imaduwa Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Accounting Deficiencies**

The following observations are made.

- (a.) Salaries and allowances amounting to Rs.8,471,255 reimbursed had been shown under the General Administration Programme, without being apportioned among all the Programmes.
- (b.) Capital aid amounting to Rs.1,000,000 receivable as at 31 December of the year under review had been omitted in the financial statements and therefore, debtors and the capital aid had been understated by Rs.1,000,000.
- (c.) The value of the photo-copying machine donated by a private institution on 08 August 2007 and the value of the Izzuzu Cab provided to the Sabha by the District Secretary's Office, Galle on 20 March 2012 had not been computed and shown in the financial statements.

- (d.) The value of the land of the Imaduwa Bus Stand to the extent of 01 Rood 37.6 Perches had not been assessed and shown in the financial statements.

### 1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.23,802,020 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 Results

According to the financial statements presented, the excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2012 amounted to Rs.814,678 as against the excess of revenue over recurrent expenditure amounting to Rs.319,637 for the preceding year.

### 2.2 Revenue Administration

#### 2.2.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on the estimated revenue, actual revenue and the arrears of revenue in respect of the year under review as presented by the Chairman is shown below.

| Source of Revenue    | Estimated | Actual  | Cumulative Arrears as at 31 December |
|----------------------|-----------|---------|--------------------------------------|
| -----                | -----     | -----   | -----                                |
|                      | Rs.'000   | Rs.'000 | Rs.'000                              |
| (i.) Rates and Taxes | 278       | 395     | 224                                  |
| (ii.) Lease Rent     | 926       | 696     | 360                                  |
| (iii.) Licence Fees  | 1,280     | 1,370   | 38                                   |
| (iv.) Other Revenue  | 21,913    | 7,764   | 32,034                               |

#### 2.2.2 Acre Tax

Although Acre Tax amounting to Rs.61,614 was outstanding as at 31 December of the year under review, action had not been taken to recover the above arrears in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987.

### **2.2.3 Court Fines and Stamp Fees**

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities are shown below.

|                  | Rs.     |
|------------------|---------|
| (i.) Court Fines | 50,000  |
| (ii.) Stamp Fees | 650,000 |

### **2.3 Transactions Not Supported by Adequate Authority**

The following observations are made.

- (a.) The Sabha had recruited 50 substitute employees and salaries amounting to Rs.6,097,929 had been paid from the Sabha funds during the year 2012 without obtaining the approval in terms of the Management Services Circular No.28 dated 10 April 2006.
- (b.) A sum of Rs.29,000 had been spent from the Sabha funds in respect of the function held in the Imaduwa Town on 13 August 2012, without obtaining the approval of the Minister in terms of the provisions of Section 132(j) of the Pradeshiya Sabha Act No.15 of 1987.

### **2.4 Auction of lands**

The following observations are made.

#### **(a.) Kunduppakanda Land**

The block-out plan approved and the Development Licence had been given on 03 March 2008 to block-out the Kunduppakanda land to the extent of 17 Acres 30 Perches based on the Plan No.4145B. The following matters were observed at the audit examination.

- (i.) A tax of 1 percent of the sale price had not been recovered in terms of Paragraph 154(1) of the Pradeshiya Sabha Act no.15 of 1987.
- (ii.) Title deeds for the 05 blocks of land given to the Sabha had not been obtained even up to 12 February 2013.
- (iii.) Out of the land auctioned to the extent of 15 Acres, 01 Rood 3.28 Perches excluding the street lines; the 10 percent which should be given to the Sabha was 01 Acre 02 Roods 4.328 Perches. However, only 02 Roods

22.95 Perches had been obtained by the Sabha. Accordingly, the extent of land obtained was less by 03 Roods 21.38 Perches resulting a financial loss of Rs.4,248,833 to the Sabha.

(b.) Vesting of Unsuitable Lands to the Sabha

A field check carried out on 21 February 2013 in respect of 05 blocks of land vested with the Sabha revealed the following matters.

| Block No.<br>----- | Extent Vested<br>----- |                  | Nature of the Land<br>-----   |
|--------------------|------------------------|------------------|---|
|                    | Roods<br>-----         | Perches<br>----- |   |
| 72                 | -                      | 12.85            | A precipitous land.   |
| 122                | 01                     | 28.57            | High-tension wires had been pulled across the land and transformers had been erected on the land. |
| 141                | -                      | 9.95             | 200 square feet water tank had been constructed.  |
| 169                | -                      | 5.06             | A precipitous land with a well.   |
| 183A               | -                      | 6.52             | A transformer had been erected and high tension wires had been pulled across the land.            |

(c.) Thennahena Land

Thennahena land to the extent of 01 Rood 30 Perches had been blocked out into 08 blocks by Plan No.2913 and the block out plan for 07 blocks meant for residential purpose had been approved by the Sabha on 18 July 2011.

A field check carried out on 12 February 2013 revealed the following matters.

- (i.) Although all the blocks except block No.03 had been sold, 1 percent tax of the sale price had not been recovered.
- (ii.) The conformity certificate should have been obtained before completion of 01 year for the land approved in July 2011; but it had not been

obtained. Therefore a sum of Rs.4,000 for the conformity certificate and a sum of Rs.10,600 as fines up to 12 February 2013 totaling Rs.14,600 should have been recovered by the Sabha.

- (iii.) The Sabha had approved the plan subject to the condition that a drain to be constructed as per the direction shown in the plan for block No.08 to flow the water of block No.02. But, the drain had not been constructed and the above direction of water flow had been blocked by erecting a fence.

(d.) Non obtaining Title Deeds With Regard to Land Auctions

The title deeds had not been obtained by the Sabha even by 12 February 2013 in respect of blocks of lands to the extent of 1.86 Hectares given to the Sabha on 03 land auctions carried out within the authoritative area of the Sabha during the years 2008 and 2011.

## **2.5 Operating inefficiencies**

The following observations are made.

- (a.) Five Member of the Sabha had not produced the Statements of Assets and Liabilities for the year 2012 in terms of the requirement of the Declaration of Assets and Liabilities Act No.01 of 1975 as amended by Act No.74 of 1988.
- (b.) A sum of Rs.191,505 had been paid to the Employees Trust Fund Board from the Sabha funds as surcharges levied due to non-submission of half-yearly reports to the Employees Trust Fund Board on due dates in respect of substitute and casual employees of the Sabha. Surcharges amounting to Rs.97,216 was payable for the period from June to December 2011 as at 12 February 2013; the date of audit examination.
- (c.) A corporate plan for at least 03 years had not been prepared in terms of the Letter No.PF/R/2/2/3/5(4) dated 10 March 2010 of the Director General of Public Finance and an action plan had also not been prepared for the year under review.

- (d.) An annual procurement plan had not been prepared in terms of the National Budget Circular No.128 dated 24 March 2006.

**2.6 Internal Audit**

Adequate internal audit had not been carried out at the Institution and an Audit and Management Committee had not been established in terms of the Circular No. PE/F/S/4(xiii) dated 28 August 2006 of the Secretary to the Ministry of Finance and Planning.

**3. Systems and Controls**

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

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Assets Management