

Imbulpe Pradeshiya Sabha

Rathnapura 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 February 2013 and the financial statements for the preceding year had been presented on 13 February 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 Imbulpe 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 Imbulpe Pradeshiya Sabha as at 31 December 2012 and the financial results of its operations and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

(a.) The stamp fees debtors balance as at commencement of the year under review was Rs.2,984,878 and the stamp fees received during the year under review on behalf of the previous year was Rs.7,206,925. Accordingly, the amount to be credited to the accumulated fund as receipts should have exceeded the debtors balance by Rs.4,222,047. However, it had not been done and as a result the stamp fees debtors balance as at end of the year under review had been understated by a similar amount.

- (b.) Fixed assets amounting to Rs.168,554 purchased during the year under review had been accounted for, as recurrent expenditure.
- (c.) According to the financial statements, the balances of 4 items of accounts as at 31 December 2012 aggregated Rs.14,156,626 whereas the balances aggregated Rs.7,961,655 as per subsidiary registers.

2. **Financial and Operating Review**

2.1 **Financial Results**

According to the financial statements presented, the revenue exceeding the recurrent expenditure of the Sabha for the year ended 31 December 2012 was Rs.6,316,007 as compared with the revenue exceeding the recurrent expenditure of the previous year amounting to Rs.4,870,899.

2.2 **Revenue Administration**

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

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

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i.) Rates and Taxes	160	104	102
(ii.) Lease Rent	76	80	-
(iii.) Licence Fees	375	435	-
(iv.) Other Revenue	12,473	10,019	6,543

2.2.2 **Court Fines and Stamp Fees**

Money receivable as at 31 December 2012 from the Chief Secretary of the Provincial Council and other authorities were as follows.

Rs.

(i.) Court Fines	170,249
(ii.) Stamp Fees	5,271,720

2.3 Irregular Transactions

The invoice furnished in respect of the spare parts purchased for the Toshiba Photocopy Machine and for repairs bearing No.05003P dated 10 October 2011 was an invoice addressed to the Provincial Director Provincial Agricultural Director's Office, Getangama, Ratnapura. The necessity to make payments for an invoice addressed to another institution by the Pradeshiya Sabha could not be satisfied in audit. Meanwhile, the invoice bearing No.416 dated 26 June 2012 was a handwritten photocopy invoice. The cheques relating to this had been drawn in favour of S.N.Rathnayaka instead of being drawn in favour of D.S.K.Graphic, the name appearing in the invoice.

2.4 Contract Administration

The Ministry of Economic Development had provided Rs.1,000,000 under the 2012 Development Programme named one work to one village for the work relating to concreting of necessary place on the Ampitiya Keenagahaella Road. An agreement had been entered into with the Imbulpe Ampitiya Pragathi Govi Sanvidhanaya for Rs.980,000 on 07 August 2012. A total sum of Rs.36,148 had been paid, made up of Rs.25,480 for the 36.80 cubic metres of soil approval under item No.03 of the estimate and Rs.10,668 for spreading of soil under item No.08. But, an on the inspection carried out on 04 April 2013 revealed that the work had not been done.

2.5 Operating Inefficiencies

(a.) It was observed that 06 out of 10 water schemes belonging to the Imbulpe Pradeshiya Sabha were running at a loss and the loss was Rs.372,940 as compared with the overall revenue and expenditure for the year 2012. Meanwhile, during the year under review a sum of Rs.629,497 had been paid as instalments and interest for the loan for the Aluthnuwara Water Scheme. The amount spent on maintenance of the water scheme was Rs.679,456. Accordingly, the overall loss

caused to the funds of the Sabha on behalf of the water scheme was Rs.1,681,893. Similarly, the arrears of water charges and the arrears of water supply charges as at 31 December 2012 were Rs.1,352,111 and Rs.546,750 respectively.

- (b.) During the year under review, action had not been taken to utilize the estimated provision of Rs.909,500 relating to 18 items of expenditure.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Vehicle Utilization
- (e.) Contract Administration