

Imaduwa Pradeshiya Sabha
Galle District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to Audit on 06 April 2015 while Financial Statements relating to the preceding year had been submitted on 20 March 2014. The Auditor General's Report relating to the year under review was issued to the Secretary to the Sabha on 11 August 2015.

1.2 Opinion

In my opinion except for the effect on the matters described in paragraph 1.3 of this report financial statements give a true and fair view of the financial position of the Imaduwa Pradeshiya Sabha as at 31 December 2014 and its financial performance and cash flow for the year then ended in accordance with generally accepted accounting principles.

1.3 Comments on Financial Statements

1.3.1 Advanced Accounting Practices

A separate account had not been presented to show operating results of the Cinnamon Cultivation in the Mawella Crematorium Land belongs to the Sabha.

1.3.2 Accounting Deficiencies

Following observations are made.

- (a) Although accounts had been prepared based on the Assets amounting to Rs.9,794,393 and Liabilities amounting to Rs.2,051,704 decided to be transferred to the Imaduwa Pradeshiya Sabha by the Habaraduwa Pradeshiya Sabha, as recommended by the Assets and Liabilities Distribution Committee, the relevant Assets and Liabilities had not been legally vested in the Pradeshiya Sabha even as at 07 July 2015.

- (b) A sum of Rs. 14,862,248 Received from the Local Government Department as Salary Reimbursement during the year under review had been shown under one Program without being apportioned among all the Programs.
- (c) Although a sum of Rs.40,656 had been paid as Audit Fees for the year 2012, provision amounting to Rs.45,000 had been made for that during the year under review as well. Due to that, Creditors and Expenditure had been overstated at the rate of Rs.45,000. Provision for Audit Fees for the year under review had not been made in the financial statements.
- (d) Security Deposits of the Library Employees amounting to Rs. 36,000 recovered from the employees during the year under review and preceding year had not been invested.
- (e) Although a sum of Rs.2,280,000 obtained from the Local Loans and Development Fund and a sum of Rs.570,000 from the Sabha Fund had been deposited in the Imaduwa Divisional Secretariat for vesting the lands called Radaketha, Kosduwaketha, Handunketha and Millagahaketha, in extent of 07 Acres and 15 Perches, it had been shown as Fixed Assets in the in the financial statements without being shown as a Security Deposit.
- (f) Stamp Fees Revenue amounting to Rs. 119,000 received from the Land Registry during the year under review had not been billed in the financial statements. Due to that, Stamp Fees Revenue had been understated in a sum of Rs. 119,000.
- (g) Inventory Goods valued at Rs. 97,001 had been shown under Machinery and Equipment. Due to that, Fixed Assets had been overstated in a sum of Rs. 97,001.
- (h) Expenditure of capital nature incurred amounting to Rs. 135,592 during the year under review had not been capitalized under Fixed Assets.

- (i) Provisions Receivable and Payable for a sum of Rs. 97,846 for a Work under 2014 Members' Provisions and a sum of Rs. 847,045 for 02 Works under Provincial criteria Grants had not been made. Due to that, Debtors and Capital Revenue; Creditors and Capital Expenditure had been understated at the rate of Rs. 944,891.
- (j) Kahanda School Avenue Development Work valued at Rs. 1,000,000 had been revised at the rate of Rs. 500,000 under 2 Works and provision had been made as Receivable and Payable. Due to that, Debtors and Capital Revenue; Creditors and Capital Expenditure had been overstated at the rate of Rs. 1,000,000.
- (k) Although the Grants Receivable for 17 Work during the year under review was Rs.7,645,255, provision had been made as Rs. 10,450,000 in the financial statements. Due to that, Debtors and Capital Revenue had been overstated at the rate of Rs.2,804,745.
- (l) Although the Grants Payable for 14 Works during the year under review was Rs.5,734,407, provision had been made as Rs.6,172,227 in the financial statements. Due to that, Creditors and Capital Expenditure had been overstated at the rate of Rs.437,820.
- (m) While the Courts Fines Revenue Receivable relevant to the year under review to the Habaraduwa Pradeshiya Sabha had not been billed, although a sum of Rs. 36,342 was due to be received from the relevant Pradeshiya Sabha during December month of the year under review, it had been estimated as Rs. 50,000. Although a sum of Rs.13,658 should be shown in the financial statements as excess billing on account of Court Fines due to that, a sum of Rs. 299,685 had been shown as under billing causing overstatement of Court Fines Revenue in a sum of Rs. 313,343.

1.3.3 Non-reconciled Control Accounts

A difference of Rs. 466,413 was observed between the total of balances according to control accounts relevant to 04 items of accounts and the balances according to subsidiary registers.

1.3.4 Lack of Evidence for Audit

Evidences such as Title Deeds, Plans, Board of Survey Reports, up dated Register of Fixed Assets, Balanced Deposits Register and Schedules, updated Loans Register Age Analysis, properly maintained Creditor and Debtors Registers, Certificates of Confirmation of Balances, properly maintained Register of Advances, properly maintained Staff Loans Register and Debtors Confirmation Letters connected with transactions totalling Rs.161,865,148 shown in the financial statements were not furnished to audit.

2. Financial and Operating Review

2.1 Financial Results

According to the Financial Statements presented, excess of recurrent expenditure over revenue of the Sabha for the year ended 31 December 2014 amounted to Rs. 3,111,523 as against the excess of revenue over recurrent expenditure for the preceding year amounted to Rs.1,211,494.

2.2 Revenue Administration

2.2.1 Rates

Action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well to recover Rates amounting to Rs. 269,062 due to be recovered to the Pradeshiya Sabha for the year under review and past years.

2.2.2 Acreage Tax

Action in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well to recover Acreage Tax amounting to Rs.47,380 due to be recovered to the Pradeshiya Sabha for the year under review and past years.

2.2.3 License Fees

Action in terms of Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken during the year under review as well to recover License Fees amounting to Rs.442,566 due to be recovered to the Pradeshiya Sabha for the year under review and past years.

2.2.4 Court Fines and Stamp fees

Courts Fines amounting to Rs. 4,250 and Stamp Fees amounting to Rs. 10,502,957 were receivable from the Chief Secretary of the Provincial Council and other authorities as at 31December 2014.

3. Operational Review

3.1 Unauthorized Transactions

Foreign Study Tours

A sum of Rs.1,179,688 had been spent out of the Sabha Fund for three Foreign Study Tours which is a function not falling under functions referred to in Section 132 of the Pradeshiya Sabha Act No.15 of 1987 where legal provisions are made with regard to application of the Pradeshiya Sabha Fund.

3.2 Management Inefficiencies

In terms of requirements of the Declaration of Assets and Liabilities Act No. 01 of 1975 as amended by Act No. 74 (Amendments) of 1988, Declarations of Assets and Liabilities had not been furnished by the 08 Members excluding the Chairman of the Sabha for the year 2014.

3.3 Operational Inefficiencies

3.3.1 Esala Asiriya Program

Approval under Section 132(a) of the Pradeshiya Sabha Act No.15 of 1987 had been given on 19 November 2014 by the Minister in charge of Subject to spend a sum of Rs.400,272 for this Program. Although the total expenditure for the Program was Rs.798,309 according to the information presented for the audit, vouchers were presented only for expenditure amounting to Rs.400,272. Accordingly, evidence to support expenditure amounting to Rs.398,037 was not furnished to audit.

3.3.2 National Program for Strengthening Pradeshiya Sabha

A sum of Rs.7,000,000 had been approved for the Pradeshiya Sabha according to the Budget proposals for 2014 under the National Program for Strengthening Pradeshiya Sabha . Although a sum of Rs.4,000,000 had been received as at 21 January 2015, date of audit, work of 02 Projects had not been commenced. Expenditure amounting to Rs. 592,166 had been incurred as Rs. 248,575 for repairing the broken parts of the Maternity Clinic, Ayurvedic and Library Building at Imaduwa, Kodagoda and for fixing sheets for the roof and ceiling after dismantling the roof and painting; and as Rs.343,591 for repairs and maintenance of vehicles. It was observed that the balance money had been utilized for other expenses without being used for the relevant Projects as the balance sum of Rs.3,407,834 was not available as balances in the bank accounts.

3.3.3 Purchase of a Photo copying Machine

A Photo copying Machine of type KYOCER had been purchased from a private entity having spent a sum of Rs. 134,800 on 31 December 2014. Following matters are observed in this connection.

- (i) Although tender advertisements should be published in daily newspapers assumed to be read by the bidders in connection with purchases exceeding Rs. 50,000 in terms of Rules of 208 in Pradeshiya Sabha (Finance and Administrative) Rules Series of 1988, action had not been taken accordingly.

- (ii) Although it has been stated that the quotations should be submitted to the Sabha or Tender Committee for consideration as per Rule 210, action had not been taken accordingly with regard to this purchase.

3.4 Idle Assets

It had been informed to prepare a scheme by 05 September 2013, for disposal of old vehicles and machinery getting destroyed without being used in Government Institutions vide Circular No. PCMD/PR/2013 dated 05 June 2013 issued by the Secretary to the President. However, action had not been taken up to 21 January 2015, date of audit, to carry out repairs to usable condition or for disposal as per circular instructions of the Secretary to the President, with regard to 03 vehicles valued at Rs. 1,959,000.

3.5 Identified Losses

The Ministry of Local Government and Provincial Councils had provided 600 Galvanized Pipes 1“to the Sabha during November 2014.

Following matters are observed.

- (i) Six hundred Galvanized Pipes received to the Sabha had not been recorded in the Inventory Register. Out of those pipes, 150 pipes had been given to the Habaraduwa Pradeshiya Sabha on 31 March 2015.
- (ii) There were 303 pipes in the possession Imaduwa Pradeshiya Sabha at the time of physical inspection carried out on 02 April 2015 and there were 150 pipes in the possession of the Habaraduwa Pradeshiya Sabha at the time of physical inspection carried out on 06 April 2015.
- (iii) Accordingly, there was a shortage of 147 pipes out of 600 Galvanized Pipes 1“provided to the Sabha. Value of the shortage of pipes was Rs. 162,729.

3.6 Construction of the Crematorium

While construction work of the Sabha Crematorium had been commenced having signed an agreement with a private company on 08 August 2007, work should have been finalized by 09 February 2008 according to the agreement. Work of the crematorium had not been finalized even as at 21 January 2015, date of audit. A sum of Rs.10,155,015 had been spent for the Project.

A time delay of 06 years was observed for this project commenced under Special Projects during the year 2007. Accordingly, the Sabha had failed in providing the expected service to the people in the area of authority

4. Accountability and Good Governance

Budgetary Control

It was observed that there were variations of revenue between the budget estimates and the actual and there were savings in certain items of expenditure. Accordingly, it was observed that the budget had not been made use of as an effective tool of management.

5. Systems and Controls

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

- (a.) Accounting
- (b.) Budgetary Control
- (c.) Revenue Administration
- (d.) Assets Management
- (e.) Contracts Administration