

Imbulpe Pradeshiya Sabha

Ratnapura District

1. Financial Statements

1.1 Presentation of Financial Statements

Financial Statements for the year under review had been submitted to the Audit on 07 April 2015 while Financial Statements relating to the preceding year had been submitted on 09 April 2014. The Auditor General's Report relating to the year under review was issued to the Secretary of the Sabah on 04 August 2014.

1.2 Opinion

I am of opinion that due to the significant matters referred to in paragraph 1.3 of this report, that the financial statements had not been prepared in accordance with Si Lanka Public Sector Accounting Standards and does not give a true and fair view of the financial position of the Imbulpe Pradeshiya Sabah as at 31 December 2014 and financial results of its operation and cash flows for the year then ended.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

Following matters are observed.

- (a.) Accounts for revenue and expenditure of the Sabah during the year under review had not been maintained in the General Ledger.

- (b.) While revenue received amounting to Rs. 84,800 on issue of Environment Licenses during the year under review had not been taken to accounts, expenditure totalling Rs.22,800 had not been taken to consideration in preparing the financial statements.
- (c.) Stamp Fees and Court Fines money amounting to Rs.347,791 not identified specifically relevant to the year under review had not been accounted under Revenue Receivable.
- (d.) A sum of Rs. 1,349,107 paid as salaries during December month of the year under review on reimbursement basis had not been identified as Revenue Grants Receivable and accounted.
- (e.) The expenditure for the year had been understated in a sum of Rs. 165,147 due to not making provisions a for accrued expenditure payable amounting to Rs. 165,147 for the year under review.
- (f.) Although the value of Fixed Assets as at 31 December of the year under review should be equal to Contribution from Revenue to Capital Outlay Account, a difference of Rs.24,028,123 was observed.
- (g.) Stamp Fees relevant to 03 months from January to March of the year under review had been treated as Stamp Fees of the preceding year and had been adjusted to the Accumulated Fund Account by understating the revenue for the year under review to that extent.

1.3.2 Non-reconciled Accounts

Following matters are observed.

- (a.) Although the Distress Loans granted to staff during the year under review according to the Staff Loans Register indicates as Rs. 1,950,000 it had been shown as Rs. 1,990,580, resulting a difference of Rs. 40,580.
- (b.) Although a sum of Rs. 6,841,431 is shown as Sundry Advances in the statement relating to the financial position as at 31 December 2014, according to notes to the Balance Sheet furnished with the financial statements, it had been shown as Rs. 684,131 and a difference of Rs.6,157,300 was observed.
- (c.) When 4 account balances in the Trial Balance for the year ended 31 December 2014 are compared with the balances in the Ledger Accounts, a difference totalling Rs.29,149,962 was observed.
- (d.) Although Stocks in Hand amounting to Rs. 6,922,005 had been shown according to the Statement of Financial Position as at 31 December 2014, according to Board of Survey Reports, Stock Books and Consumable Materials Register, Stock Balance had been Rs.1,080,262 and a difference of Rs. 5,841,743 was observed.
- (e.) Although a sum of Rs. 158,850 had been accounted as Garbage Tax Receivable for the year under review, Garbage Tax Receivable according to the Register of Garbage Tax had beenRs.139,600 and a difference of Rs. 19,250 was observed.

1.3.3 Accounts Receivables and Payables

Following matters are observed.

- (a.) Out of the Motor Cycle Loans amounting to Rs. 1,560,000 granted to Pradeshiya Sabha Members under Provincial Council Provisions during the year 2013, a loan balance of Rs.72,288 had not been recovered.
- (b.) A Balance of Rs. 18,147 named as Loan Releasing account had been brought forward since the year 2002.

1.3.4 Lack of evidence for audit

Assets amounting to Rs. 7 468,344 and Liabilities balances amounting to Rs. 1,467,015 could not be satisfactorily vouched or accepted in audit due to non-submission of required information.

1.3.4 Non-compliance with Laws, Rules, Regulations etc.

Following instances of non-compliance with Laws, Rules, Regulations and Management Decisions were observed in audit.

<u>Reference to Laws, Rules, Regulations etc.</u>	<u>Non-compliance</u>
(a.) Public Finance Circular No. 438 dated 13 November 2009 and Letter No.PCMO/PR/2013 dated 05 June 2013 of the Secretary to the President	- Although action should be taken for disposal of unusable and idle assets in Public Institutions such action had not been taken with regard to the Motor Cycle No. 151-4313 and Cab Vehicle 53-5630 in condemned condition.
(b.) Treasury Circular No. IAI/2002/02 dated 28 November 2002	- Computers and Accessories valued at Rs.258,118 belong to the Sabha had not been included in the Assets Register.

2. Financial Review

2.1 Financial Results

According to the Financial Statements presented, the excess of revenue over recurrent expenditure for the year ended 31 December 2014 amounted to Rs. 9,039,252 as against excess of recurrent expenditure over revenue for the preceding year amounting to Rs. 1,846,670 resulting an improvement of Rs.10,885,922 in the financial results for the year under review.

2.2 Analytical Financial Review

Increase in the overall recurrent revenue in a sum of Rs. 13,361,408 for the year under review and decrease in expenditure amounting to Rs.617,402 incurred on repairs and maintenance of operational equipment and repairs and maintenance of capital assets when compared with those for the preceding year had been the main reasons for the improvement in the above financial results.

2.3 Revenue Administration

2.3.1 Performance in Revenue Collection

Information relating to estimated revenue and arrears of revenue for the year under review is shown below.

Item of Revenue	Estimated Revenue	Arrears as at 31 December 2014
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	Rs '000	Rs '000
(i) Rates and Taxes	90,000	125,764
(ii) Lease Rent	36,000	4,220
(iii) Water Charges	4,500,000	3,451,313
(iv) Warrants and Fines	400,000	273,576
(v) Fines (Receipts of Money From Courts)	1,500,000	1,500,000
(vi) Stamp Fees	7,500,000	7,500,000

2.3.2 Rates

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- (i.) Adequate course of action had not been taken to recover Rates in arrears amounting to Rs.53,568 for the year 2013 or years prior to that.
 - (ii.) Action had not been taken to recover Rates in terms of Section 134 of the Pradeshiya Sabha Act No.15 of 1987 from areas such as Aluthnuwara, Ratmalavinna, where various facilities are provided by the Sabha.

2.3.3 Court Fines and Stamp Fees

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- (i.) Adequate course of action had not been taken to recover Stamp Fees amounting to Rs. 2,892,200 identified as recoverable for the period from April to August 2014 and properly un-identified Stamp Fees for September to December 2014 from the Secretary to the Sabaragamuwa Provincial Council.
 - (ii.) There was difference of Rs. 1,871,294 between the stamp fees recovered and recoverable during the period from the year 2003 to March 2014.
 - (iii.) Action had not been taken for proper identification of Court Fines amounting to Rs.347,791 for the year 2014 and get those from the relevant authorities.

2.3.4 Other Revenue

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- (i.) Value of Garbage Tax in arrear as at 31 December 2014 amounted to Rs.139,350.
 - (ii.) While action had not been taken to recover a sum of Rs. 2,641,232 as at 31 December 2014 from 10 Water Schemes belong to the Sabha, necessary steps had not been taken even up to February 2015 with regard to a sum of Rs. 134,643 due to be recovered from 77 consumers on account of disconnected water supply.

3. Operating Review

3.1 Management Inefficiencies

Following observations are made.

- (a.) A sum of Rs. Five hundred thousand to Ten hundred thousand out of the income earned by the Sabha had been kept idle without receiving interest in two current accounts maintained in the Balangoda Bank of Ceylon Branch during every month of the year under review, due to failure in taking action in terms of Rule 185 in Chapter ix of the Pradeshiya Sabah (Finance and Administrative) Rules of 1988
- (b.) Tax money amounting to Rs. 345,051 to be recovered being 1% value of land sales in terms of Section 154 (1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been recovered.
- (c.) Value of 14 Water Motors and Other Equipment fixed in the Water Projects belong to Sabha had not been computed and recorded in the Inventory.
- (d.) It was observed that a large number of cattle are grouped freely on the Colombo Badulla Main Road in Aluthnuwara and Imbulpe areas belong to the Sabha causing a risk to the lives of those animals as well as accidents to vehicles. Action in terms of Section 66(1) of the Pradeshiya Sabha Act No. 15 of 1987 had not been taken in this connection. Although provisions amounting to Rs. 25,000 had been made available for this during the year 2014, those provisions had not been made use of up to the end of the year.

3.2 Staff Administration

Following observations are made.

- (a.) While there was vacancy in a Post of Secretary in Supra Grade Management Assistant According to the approved cadre of the Sabha, action had not been taken appoint an officer with relevant qualifications.

- (b.) Although two posts of Revenue Inspectors of the approved cadre of the Sabah had been vacant, covering up of work relevant to those posts had been assigned to a field labourer.

3.3 Idle and under-utilized Assets

Five vehicles and four machinery and equipment belong to the Sabha remained idle.

3.4 Delayed Projects

Although provisions amounting to Rs. 20,200,000 had been allocated for 50 Rural Access Roads Development Projects under the National Plan for Economic Development from Door to Door and From Village to Village of the Ministry of Local Government and Provincial Councils, when the progress as at 31 January 2015 is taken to consideration, work relating to 29 Projects valued at Rs. 11,400,000 had not been commenced, and it was 56 percent of the value of the provisions made available.

3.5 Environmental Problems

Although a sum of Rs. 87,420 had been paid to a private institution for removal of garbage by the Sabha during the year under review, while the garbage had been dropped into the garbage pit improperly, following lapses were observed in that connection.

- (a.) Garbage brought in a number of days had not been dropped into the garbage pit and covered. Due to that bad odor had spread all over the area.
- (b.) Non-decomposing polythene, plastic paraphernalia had not been sorted out in order to recycle or destroy those, and had been dropped into the pit causing adverse effects to the environment.
- (c.) Due to dumping the Plastic Utensils as they are in to garbage pit, there was risk of breeding mosquitoes in water stagnated in those Plastic Utensils.

4. Accountability and Good Governness

Following observations are made.

- (a.) When estimated expenditure is compared with the actual expenditure, out of the provisions made available for 04 Recurrent Expenditure Programmes, variations from 11 per cent to 35 per cent and out of the provisions made available for 03 Capital Expenditure Programmes, variation from 12 per cent to 76 were observed. Therefore the budget had not been made use of as an effective tool of management.
- (b.) In terms of clause 2.1.2 in National Budge Circular No 1/2014 dated 01January 2014, overtime expenditure was needed to be managed within the provisions made available for that. However, further provisions amounting to Rs. 65,000 had been made according to the decision taken at Monthly General Sabha Meeting held on 06 August 2014, in addition to the provision of Rs.60,000 made available in the budget for overtime and holiday pay. It amounts to 108 per cent of the total provision.
- (c.) Although a provision of Rs. 25,000 had been made available for preparing herbal gardens under Capital Expenditure Item a physical or financial progress was not seen during the year under review with regard to the relevant work.

5. Systems and Controls

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Special attention is needed in the following areas of controls.

- (a.) Accounting
- (b.) Revenue Administration
- (c.) Human Resources Management
- (d.) Assets Management
- (e.) Vehicles Utilization