

**Imbulpe 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 24 February 2012 and the financial statements for the preceding year had been presented on 21 February 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 21 August 2012.

**1:2 Opinion**

In view of the comments and observations appearing in my report forwarded to the Chairman, I am unable to express an opinion on the financial statements of the Imbalpe Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

**1:3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

- (a) The cab owned by the Sabha had met with an accident on 23 May 2010 and the expenditure on repairs amounting to Rs. 155,700 had been brought to account as an expenditure of the Sabha for the year 2010. The insurance claim amounting to Rs. 91,750 received on 17 March 2011 had been brought to account as an income of the Sabha and therefore the income for the year had been overstated by a similar amount.
- (b) Stamp fees amounting to Rs. 1,015,521 received during the year under review on transfer of lands in respect of the previous years had been brought to account as income for the year, instead of crediting to the accumulated fund. Therefore, the income for the year had been overstated and the debtor's balance as at end of the year had been understated by a similar amount.

- (c) Action had not been taken to bring to account the amount receivable from a private company in respect of the Belihuloya small hydro power station for the year under review and a sum of Rs. 481,369 received during the year under review in respect of the preceding year had been brought to account as income for the year under review. Therefore, the income for the year had been overstated by a similar amount.
- (d) A sum of Rs. 6,054,835 in the deposits account as at 31 December of the year under review had been credited the accumulated fund by Journal Entry No. 08 without the approval of the Sabha.

### **1.3.2 Lack of Evidence for Audit**

Transactions totalling Rs. 7,512,941 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 revenue over the recurrent expenditure of the Sabha for the year ended 31 December 2011 amounted to Rs.4,870,899 as compared with the excess of revenue over recurrent expenditure amounting to Rs.10,832,791 for the preceding year.

### **2:2 Revenue Administration**

#### **2:2:1 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.

<b>Item of Revenue</b>	<b>Estimated</b>	<b>Actual</b>	<b>Accumulated Arrears as at 31 December</b>
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	90	79	61
(ii) Lease Rent	36	31	5
(iii) Licence Fees	350	418	-
(iv) Other Revenue	2,600	2,974	703

### **2.2.2 Court Fines and Stamp Fees**

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Court fines receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities amounted to Rs.4,002,588 and the stamp fees receivable had not been brought to account.

### **2.2.3 Outstanding Water Meter charges**

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The meter charge of Rs. 7,500 recovered for providing new water connections should be charged before providing the water connection. However, arrears of meter charges amounting to Rs. 613,200 were due from the places to which water connections had been given since the year 2009.

### **2.3 Irregular Transactions**

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The court case No 3267 filed against a member of the Pradeshiya Sabha for the unlawful assembly in a private land with a few employees of the Sabha and erection of a fence had been amicably settled before the Balangoda District Courts on 06 April 2011. However, the lawyer's fees on behalf of this case amounting to Rs.20,840 had been paid from the funds of the Sabha.

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

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According to Section 19(1)(i) of the Pradeshiya Sabha Act No 15 of 1987, prior approval of the Commissioner of Local Government should be obtained for creation of posts and payment of allowances. But, allowances amounting to Rs. 192,000 had been paid to 03 maintainers of a water supply scheme from May to December 2011 without obtaining such approval.

## 2.5 Contract Administration

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A physical examination carried out on 12 December 2011 of a sample of the Gamaneguma project under the provisions of the Ministry of Economic Development revealed the following matters.

(a) Dela Road and Muththettuwegama – Holambilithenna Road

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- (i) Measurements of the soil dumped had been obtained to confirm that the approved soil had been supplied.
  - (ii) The technical officer was unable to identify the place where metal “6\*9” had been used.
  - (iii) A sum of Rs. 494,178 had been paid for the above items of work.

(b) Construction of a Retention Wall near Gal – Edanda of the Bokotuwa Road

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An agreement had been entered into with a farmers’ organization for a sum of Rs. 588,000 on 28 November 2011 for this work.

- (i) Although it had been estimated under item No 03 a sum of Rs. 59,400 to lay plum concrete with 1:3:6 (11/2)” concrete mixture with 4” metal 6’X9’ metal had been used to construct the wall
- (ii) The approval obtained to revise the item of work was not made available to audit.

(c) The Road close to the Temple of Mamalgaha Division to Welahinna

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An agreement had been entered into with a farmers’ organization on 04 November 2011 for this work with the provisions amounting to Rs. 200,000 However, a sum of Rs. 25,900 had been spent for 70 cubes of soil to prepare the Morawa – Kadura road which is not mentioned in the estimate and the estimated road had not been constructed.

(d) **Concreting the Dampitiya Road**  
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An agreement had been entered into with a Village Development Society for Rs. 600,000 on 12 November 2010 with the provision amounting to Rs. 600,000

- (i) According to item No 13 of the estimate, concrete mixture of 1:2:4(3/4”) should be laid for a length of 200 metres and Rs. 464,660 had been paid for 49.2 metres. The length of the road constructed was 182.5 metres and as such a sum of Rs. 40,611 had been overpaid for 4.3.
- (ii) Although a sum of Rs. 12,716 had been paid under item No. 01 for cutting drains on both sides of the road, this item of work had not been done.

**2.6 Operating/ Management Inefficiencies**  
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The following matters were observed

- (a) According to the decision made by the Sabha on 26 May 2011, the assets and liabilities of the Rathmalawinna Water Supply Scheme should be acquired by the Sabha. However, action had not been taken accordingly even up to 31 December 2011.
- (b) No expenditure had been incurred out of the provision amounting to Rs. 936,000 made through the budget for the year under review for 18 items of expenditure.
- (c) The estimated value for development of the Amupitiya – Mamalagaha Road from 0.00 k.m to 2.10 K.M under the provision of the Sabaragamuwa Provincial Council was Rs. 2,256,487 and the Sabha had decided on 30 October 2007 to carry out the work on direct labour basis. The Sabha had failed to complete the work on the scheduled date and although an expenditure of Rs. 2,896,873 had been incurred out of the Sabha’s fund for this work, only a sum of Rs. 2,201,451 had been received from the Provincial Council.

- (d) The contract for development of Naketiya bye – road using the JCB machine under the provision of the Sabaragamuwa Provincial Council had been awarded to the Maddegama Community Development Organization and the construction works had been completed on 04 June 2010 and a sum of Rs. 57,500 had been paid in 02 instances. The Pradeshiya Sabha fund had to suffer a loss as the above money had not been reimbursed due to various shortcomings in the vouchers submitted to the Provincial Council for reimbursement.
- (e) Although the on-account sub-impressts should be settled immediately after the completion of the work for which it was given, action had not been taken even as at 31 December 2011 to get the advances totalling Rs. 4,819,247 settled which had been given during the period 2002 to 17 October 2011.

### **3. Systems and Controls**

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

- (a) Accounting
- (b) Budgetary Control
- (c) Internal control
- (d) Revenue Control
- (e) Assets Management
- (f) Contract Administration