

Agalawatta Pradeshiya Sabha

Kalutara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 21 March 2013 and the financial statements for the preceding year had been presented on 05 March 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 03 October 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 Agalawatta 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 Agalawatta 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) According to the Register of Deposits, payment of miscellaneous deposits during the year under review amounted to Rs.354,098 and a sum of Rs.654,098 had been accounted as payments. Therefore, it was observed that a sum of Rs.300,000 had not been entered in the Register.
- (b) The stock of Ayurvedic drugs valued at Rs.101,293 received as donations during the year under review had been credited to the Ayurvedic Stores expenses account, instead of crediting to the donations account.

- (c) Accrued expenses amounting to Rs.187,400 and Rs.50,051 respectively accounted under Item of Expenditure 106 and 205 had not been shown under sundry creditors.
- (d) A sum of Rs.1,099,809 transferred from the general cash account to works cash account had been credited to the Government Aid Debtors' Account too, although it had been already debited to the works cash account and credited to the general cash account.
- (e) A sum totaling Rs.11,553,125 had been paid during the year under review for 72 works. But, this had not been included in the works creditors schedule as at end of the preceding year or works schedule for the year under review.

1.3.2 Lack of Evidence for Audit

Transactions totaling Rs.124,977,728 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.3,062,678 as compared with the excess of recurrent expenditure over revenue amounting to Rs.2,274,366 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 relating to the year under review as presented by the Chairman is shown below.

Item of Revenue	Estimated	Actual	Cumulative Arrears As at 31 December
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	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2,389	2,172	430
(ii) Lease Rent	1,561	1,530	40
(iii) Licence Fees	120	120	-

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 are shown below.

	<u>Rs.</u>
(i) Court Fines	3,231,075
(ii) Stamp Fees	262,749

2.3 Contract Administration

The following observations are made.

(a.) Non-implementation of Approved Works

Agreements had been signed for 04 projects for which provisions of Rs.500,000 each had been approved under “Maga Neguma” Programme of year 2012. However, action had not been taken to implement these projects even by March 2013; the time of audit examination.

(b.) Laying Blocks on Punchikanda Road – Stage II

An agreement had been signed with the Pimbura Farmers’ Organization for a contracted sum of Rs.500,000 on 03 September 2011 for laying of blocks on Punchikanda Road – Stage II which had been commenced under “Maga Neguma” Project. The Road was 103 Meters in length and 2.45 Metres in width. A physical check carried out on 22 March 2012 revealed that there are so many gaps among the blocks laid on the road, and that grass had been grown among the blocks of the upper part of the road.

(c.) Laying of Blocks on Girikola – Batewalakada Road

A sum of Rs.500,000 had been approved on 08 August 2012 to develop the Girikola – Batewalakada Road by laying concrete blocks to a length of 100 Meters and a width of 2.5 Metres under “Maga Neguma Rural Roads Development Programme - 2012”. An agreement had been entered into with the Samurdhi Force on 16 November 2012 to implement the Project. The following observations are made in this connection.

(i.) Measurements had been taken on 03 December 2012 for making final payment for the Project and a sum of Rs.15,500 had been recommended and paid for filling sand for the gaps among the concrete blocks laid. However, a physical check carried out on 22 March 2013 revealed that the gaps are visible again on the road.

- (ii.) It had been instructed by letter No.D/03/12 dated 08 August 2012 on Maga Neguma Rural Development Programme – 2012 to lay 10,100 blocks for a project valued at Rs.500,000. However, measurements taken at a physical check carried out on this Project revealed that only 37 blocks per square metre had been laid and accordingly, only 9,250 blocks had been laid on the road resulting a short of 850 blocks.
- (d.) Girikola, Batewalakada Drinking Water Project
An agreement had been entered into with the Girikola Samurdhi Force on 03 December 2012 for an estimate of Rs.978,224 to construct the well, water tank and lay water pipes under the above Project. An advance of Rs.196,087 had been paid on 24 December 2012 and the first part payment had been made on 29 December 2012. The following observations are made.
- (i.) The Technical Officer of the Sabha had recommended payments amounting to Rs.375,837 for the bill submitted by the Contractor Society on 29 December 2012. While making this payment the total amount of the bill had been paid without deducting the advance of Rs.196,087 paid on 24 December 2012 and the retention money of 10% of the value of the bill.
- (ii.) Although 03 months had passed after the completion of the Project by the date of audit examination; that is 22 March 2013, water pipes had not been laid along the both sides of the road starting from the water tank. Therefore, the beneficiaries were unable to obtain water supply connections.

2.4 Operating Inefficiencies

The following observations are made.

2.4.1 Tax on Sale of Lands

The Sabha should recover a tax equivalent to 1% of the sales value in terms of 154(1) of the Pradeshiya Sabha Act No.15 of 1987; at sale or auction of land situated within the area of authority of the Sabha. But, tax had been recovered on estimated sales value from 05 lands auctioned during 2010, 2011 and 2012.

2.4.2 Issue of Conformity Certificates for Sub-divisions of Lands

According to Section 8J(1) of the Urban Development Authority (Amendment) Act No.04 of 1982; sale of sub-divided lands/ usage/ construction of buildings without obtaining conformity certificates is an unauthorized development work. However, conformity certificates had not been obtained for 04 sub-diviison of lands approved by the Sabha.

2.4.3 Donations

328 sets of saucepans donated by the Ministry of Disaster Management on 18 February 2008 had remained in the stores even by 22 March 2013, without being distributed. A register had not been maintained to record all types of items received as donations.

2.4.4 Employees Security Deposits

It had been decided in year 2004 to obtain security deposits totaling Rs.65,000 from 09 officers obliged to keep security deposits in terms of the Circular No.LG/05/2004 dated 09 July 2004 of the Commissioner of Local Government. However, only a small amount that is Rs.100 had been recovered monthly and as such, the total security deposits recovered as at 31 December 2012 amounted to Rs.38,100.

2.4.5 Verification of Assets

- (a.) According to the provisions of the Gazette No.55/4 dated 17 April 1988, lands owned by the Sabha should be verified once in every year. However, 79 lands owned by the Sabha had not been verified.
- (b.) A register of fixed assets for computer accessories and soft-ware had not been maintained in terms of Treasury Circular No.IAI/2002/02 dated 28 November 2002.

2.4.6 Controls Over Vehicles

Running Charts of 08 vehicles relating to year 2012 had not been made available as at the date of audit examination. The issue of fuel requirements per day should be recommend after making adjustments based on the entries made in the running charts on fuel consumption. Nevertheless, fuel had been issued although the running charts of the above vehicles were not available.

2.4.7 Payment of Advances

A balance of advances totaling Rs.273,904 paid during the period 1993 to 2006 had not been settled even as at 05 April 2013; the date of audit examination.

2.5 Internal Audit

Execution of an adequate internal audit in respect of financial and stores transactions in terms of Sub-rule 07 and V of Rule No.05 of the Pradeshiya Sabha Rules 1988 is a function of the Chairman. However, action had not been taken accordingly.

2.6 Budgetary Control

According to the budget estimates for year 2012 a total provisions of Rs.1,920,100 had been made for 15 items of expenditure. But, the entire provision had not been utilized.

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) Assets Management
- (e) Contract Administration