

Pitabeddara Pradeshiya Sabha

Matara District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 01 April 2013 and the financial statements for the preceding year had been presented on 19 July 2012. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 31 January 2014.

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 Pitabeddara 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 Pitabeddara 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

The following observations are made.

- (a.) Cost of 02 blocks of land amounting to Rs.420,000 and another 02 blocks of Land, a paddy field and 02 buildings of which the value not mentioned as shown in the Register of Fixed Assets had not been shown in the accounts as at 31 December 2012.
- (b.) A retaining wall had been constructed for the Head Office building of the Sabha and the District Engineer Matara had certified work done valued at Rs.3,290,305 on 22 April 2010. But, this expenditure had not been capitalized.
- (c.) The value of the Road Roller purchased at Rs.3,732,493 on 18 December 2012 had not been capitalized during the year under review.

- (d.) Although the balances of the revenue contribution to capital out-lay account and fixed assets account should be tallied, a difference of Rs.3,500,000 was observed between the two accounts as at end of the year under review.
- (e.) According to the stamp fees control account, the balance of arrears brought forward as at 01 January 2012 amounted to Rs.979,163 and a sum of Rs.1,651,835 had been received during the year 2012 in respect of previous years. Accordingly, the sum of Rs.672,672 received for the previous year had been taken to the revenue of the current year without being adjusted the under provision of the relevant accounts.
- (f.) According to the Register of Stamp Fees Revenue, the arrears relating to the year under review amounted to Rs.2,660,257. Nevertheless, a sum of Rs.3,667,543 had been credited to Other Revenue 1-60 through Journal Entry No.54 indicating a difference of Rs.1,007,286.
- (g.) Recurrent expenditure amounting to Rs.164,840 incurred during the year under review had been accounted under capital expenditure.
- (h.) Although a sum of Rs.623,810 had been spent on Members allowances during 2012; only the net amount of Rs.251,670 after deducting the motor cycle loan instalment of Rs.372,140 from the said allowances had been debited to the salary expenses account.
- (i.) Motor cycle loan installments amounting to Rs.372,140 recovered in respect of 10 Members of the Sabha during the year under review had not been brought to account as an income.
- (j.) Supplies and equipment purchased at Rs.2,547,509 during the year had not been debited to the relevant items of expenditure at the time of issue through issue orders. Instead, purchase had been added to the opening stock and the value after deducting the closing stock had been debited to the income and expenditure account as expenditure of the year.

1.3.2 Unreconciled Control Accounts

The value of 07 items of accounts as per control accounts amounted to Rs.12,512,106 whilst the value as per subsidiary registers amounted Rs.12,606,049 indicating a difference of Rs.93,938.

1.3.3 Unsettled Accounts

Debit balances amounting to Rs.240,145 and credit balances amounting to Rs.1,934,630 relating to 05 items of accounts had not been settled during the year under review.

1.3.4 Lack of Evidence for Audit

Transactions totaling Rs.35,540,560 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 recurrent expenditure of the Sabha for the year ended 31 December 2012 amounted to Rs.3,404,174 as compared with the excess of revenue over recurrent expenditure amounting to Rs.7,341,737 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 given 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	606	660	1,380
(ii.) Lease Rent	3,770	3,093	1,070
(iii.) Licence Fees	280	305	70
(iv.) Other Revenue	13,910	17,813	52,481

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.

	Rs.
(i.) Court Fines	672,338
(ii.) Stamp Fees	2,994,872

2.3 Non-compliance With Laws, Rules and Regulations

Non-compliances observed in audit are shown below.

Reference to Laws, Rules, Regulations etc.	Non-compliance
(a.) Pradeshiya Sabha Act No.15 of 1987	Action had not been taken to recover revenue amounting to Rs.550,999 receivable for the year under review and the previous years.
(b.) Pradeshiya Sabha (Financial and Administrative) Rules-1988	
----- Rule 218	Although the Chairman should take action to verify all the lands and buildings once in each year, action had not been taken accordingly.

2.4 Operating Inefficiencies

According to Paragraph 11.5 of the Public Administration Circular No.08/2005 dated 31 March 2005, the difference between the interest rates of the banks for property loans and interest rate of 4 percent recover from the officers should be reimbursed by the Government. Nevertheless, a sum of Rs.202,723 paid from the Sabha funds for the previous years and the year under review had not been get reimbursed even as at 31 December 2012.

2.5 Irregular Transactions

- (a.) According to the letter No.අපසා/අ/5/6 dated 23 October 2008 of the Commissioner of Local Government, Southern Province; the Sabha should ensure that the relevant Members of the Sabha have obtained telephone connections when providing cards for mobile telephones to the Members of the Sabha and the Sabha should purchase cards valued at Rs.1,000 per month and provide to the Members. But, this requirement had not been complied with.
- (b.) It had been stated in the above letter that only the Members of the Pradeshiya Sabha should provide with the relevant cards. But, contrary to these requirements, cards to the value of Rs 6,000 had been purchased and provided to the Secretary of the Pradeshiya Sabha during the year 2012.
- (c.) According to Paragraph 02 of the Gazette Notification No.1807/2 dated 22 April 2013; a travelling allowance up to a maximum of Rs.3,000 per month can be paid to a Chairman, Vice-chairman or a Member as a reimbursement of expenditure incurred on travelling for purposes vested on him as a people's representative/ for purpose entrusted by the Sabha. But, a sum of Rs.360,000 had been paid from the Sabha funds to 10 Members, including the Chairman without entrusting any work.

2.6 Internal Audit

An adequate internal audit had not been carried out within the institution and an Audit and Management Committee also had not been established.

3. Systems and Controls

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

- (a.) Accounting
- (b.) Stores Control
- (c.) Assets Management
- (d.) Revenue Administration