

Laggala – Pallegama Pradeshiya Sabha

Matale District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements of the year under review had been presented to audit on 20 April 2012 and the financial statements for the preceding year had been presented on 03 June 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 12 November 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 Laggala – Pallegama Pradeshiya Sabha for the year ended 31 December 2011 presented for audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) Although the balance of the fixed assets account should be equivalent to the balance of the revenue contribution to the capital outlay account there was a difference of Rs. 4,146,848 between those two accounts.
- (b) Provision had not been made under creditors in respect of outstanding pensionary contributions amounting to Rs.1,867,148 payable to the Department of Pensions as at 31 December of the year under review.
- (c) Purchases had been debited direct to the votes without following the stores advance accounts method for purchase of stores items.

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs. 21,508,833 could not be satisfactorily vouched in audit due to the non-submission of required information to audit.

1.3.3 Unreconciled Accounts

The total of the balances as per control accounts relating to 02 items of accounts amounted to Rs. 435,358 whereas the total of the balances of the said accounts amounted to Rs. 494,150 as per subsidiary registers thus indicating a difference of Rs. 58,792

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.1,111,126 as compared with the excess of revenue over recurrent expenditure amounting to Rs.356,480 for the preceding year.

2.2 Financial Control

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- (a) Action had not been taken on unrealized deposits amounting to Rs. 3,694 existing since prior to the year 2005 and overpayments amounting to Rs. 13,069 relating to the period 1998 to 2008 shown in the Bank Reconciliation Statement prepared as at 31 December of the year under review in respect of the bank account No. 122-1-001-4-0000003
 - (b) Action had not been taken to settle the advances amounting to Rs. 300,000 given to an ex- Chairman to purchase paddy in the year 2008.
 - (c) Action had not been taken to inquire and settler the balance in the suspense account relating to the period 2007 to 2011.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information relating to the estimated revenue, actual revenue and the arrears of revenue for the year under review as presented by the Chairman is given below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	2	-	72
(ii) Lease Rents	607	484	208
(iii) Licence Fees	537	543	-
(iv) Other Revenue	10,012	9,236	3,246

2.3.2 Court Fines and Stamp Fees

Details of amount receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are given below.

	Rs.
(i) Court Fines	2,784,100
(ii) Stamp Fees	150,650

2.3.3 Outstanding Acreage Tax

According to Section 158(1)(a) of the Pradeshiya Sabha Act No 15 of 1987, action should be taken without any delay to recover unpaid Acreage Tax. But, as action had not been taken accordingly, there was a balance of outstanding Acreage Tax amounting to Rs. 72,532 as at 31 December of the year under review.

2.4 Idle and Underutilized Physical Resources

Sample audit checks revealed that 04 items of assets valued at Rs. 727,500 and 03 items of assets the value of which has not been computed had been lying idle or underutilized.

2.5 Identified Losses and Damages

According to the goods verification report for the year under review, there was a shortage of a digital camera owned by the Sabha and the related memory card and action had not been taken to recover the loss from the parties responsible for the loss.

2.6 Transactions Not Supported by Adequate Authority

- (a) Overtime and work on holidays should be done on a prior approval. Nevertheless, overtime and holiday pay amounting to Rs. 195,806 had been paid during the year under review without such approval.

- (b) According to the provisions in Section 19(1)(1) of the Pradeshiya Sabha Act No 15 of 1987, the prior approval of the Commissioner of Local Government should be obtained to create a post and to fix the salaries. Nevertheless 15 employees had been recruited on substitute basis without such approval and salaries amounting to Rs. 1,336,244 had been paid during the year under review.

2.7 Irregular Transactions

According to Paragraphs 3.4 and 6.3 of the Government Procurement Guidelines and Rules 207 and 208 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988, quotations should be called through competitive bidding or by registered post in making purchases. But, contrary to this, stores materials and equipment valued at Rs. 316,678 had been purchased on 02 instances of the year under review on hand quotations.

2.8 Contract Administration

An agreement at a value of Rs. 1,400,000 had been entered into for the construction of Kivulavadiya Water Supply Project. Although a sum of Rs, 10,223 had been paid for fixing a 63 M.M Gate Valve as stated in the payment Bill under Item of Work No. 03, such a Gate Valve had not been fixed. Further, a sum of Rs, 5,897 had been paid to fix a 40 M.M Brass Stop Tap under Item of Work No. 10 and instead a plastic Stop Tap had been fixed. No feasibility study had been done for this project and there was no sufficient water source and the constructions were not in accordance with proper standards. As

such, the project had been abandoned without any use as at 26 September 2012, the date of audit examination.

2.9 Operating Inefficiencies

The following observations are made.

- (a) The Cab bearing No. WP-LF 4859 had been handed over to a garage in December 2011 for repairs. Action had not been taken even as at 26 September 2012, the date of audit examination to complete the repairs and to get back the vehicle.
- (b) Two motor cycles bearing No. CP TX6002 and CPTX 6005 had been donated to the Sabha by the Rural Water Supply and Sanitation Project. But, action had not been taken to vest the ownership of these vehicles with the Sabha and to assess the value and take them into accounts.
- (c) The tractor bearing No. CPRB – 2996 had been given to the Mahaweli Authority of Sri Lanka from 24 September 2011 on hire basis at Rs. 290 per hour for the Moragahakanda Kaluganga Project, without entering into a formal agreement.

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) Debtors and Creditors Control
- (d) Contract Administration