

**Pallepola Pradeshiya Sabha
Matale District**

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 02 April 2012 and the financial statements for the preceding year had been presented on 31 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 06 September 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 Pallepola Pradeshiya Sabha for the year ended 31 December 2011 presented to audit.

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

The following matters were observed.

- (a) Seven block of land to the extent of 260 perches owned by the Sabha valued at Rs.618,000 had not been capitalized.
- (b) Although debtor balances amounting to Rs.14,202,037 relating 63 jobs during the preceding year had been settled during the year under review, it had continued to be shown as debtors in the financial statements as at 31 December of the year under review.
- (c) Although creditor balance of Rs.10,070,331 relating to the preceding year had been settled during the year under review, it had continued to be shown as creditors in the financial statements as at 31 December of the year under review.
- (d) The total of the balances of 06 items of accounts as per control accounts, amounted to Rs.35,430,861 whilst the total of the balances as per subsidiary registers/ records amounted to Rs.42,244,642 indicating a difference of Rs.6,813,781.

1.3.2 Lack of Evidence for Audit

Transactions totalling Rs.201,275 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 2011 amounted to Rs.4,937,283 as compared with the excess of revenue over recurrent expenditure amounting to Rs.2,574,428 for the preceding year.

2.2 Financial Control

17 payment vouchers amounting to Rs. 810,687 had been paid without certification contrary to provisions in Rule 99 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

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

Item of Revenue	Estimated Rs.000'	Actual Rs.000'	Accumulated Arrears as at 31 December Rs.000'
(i) Rates and Taxes	340	467	415
(ii) Lease Rent	450	477	75
(iii) Licence Fees	690	526	50
(iv) Other Revenue	15,078	18,203	5,840

2.3.2 Court Fines and Stamp Fees

Money receivable as at 31 December 2011 from the Chief Secretary of the Provincial Council and other authorities are shown below.

	Rs.
(i) Court Fines	1,492,450
(ii) Stamp Fees	3,158,097

2.3.3 Trade Licence Fees

Action had not been taken in terms of provisions in Section 152(4) of the Pradeshiya Sabha Act No. 15 of 1987 in respect of outstanding trade licence fees amounting to Rs.49,739 continued to be brought forward from the previous years.

2.3.4 Rates and Acreage Tax

Action had not been in terms of Section 158(1)(a) of the Pradeshiya Sabha Act No.15 of 1987 in respect of outstanding rates and Acre taxes amounting to Rs.337,137 and Rs.91,890 respectively as at 31 December of the year under review.

2.3.5 Stall Rent

Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 to recover outstanding stall rent amounting to Rs.75,930 as at end of the year under review.

2.3.6 Tax on Land Sales

Fines recovered by the Sabha from 2005 to end of the year under review and 1% tax recovered on land sales at 02 instances totalling Rs.194,724 had been retained in the deposits account, without being taking to the revenue of the Sabha.

2.4 Idle and Underutilized Physical Resources

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- (a) Vehicles and 06 items of machinery valued at Rs.960,400 had remained idle and underutilized.
 - (b) Two telephone bills machine valued at Rs.73,000 and a cash registering machine valued at Rs.20,000 purchased for the “Sannivedana Piyasa” project during the year 2007 had not been used for any purpose from 25 September 2009 to 09 July 2012, the date of audit examination.

2.5 Irregular Transactions

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- (a) According to the Public Finance Circular No. PF 437 dated 18 September 2008, insurance coverage for all vehicles of the public sector should be obtained direct from the National Insurance Trust Fund or Sri Lanka Insurance Corporation Ltd. But, the motor bicycle bearing No. CPMO 5003 owned by the Sabha had been insured at another insurance company.

- (b) Vehicle hire charges amounting to Rs.23,300 had been paid from the funds of the Sabha at 06 instances without ascertaining the details of the officers of the Sabha who had used vehicles for official duties during the year under review and the nature of the respective duty.
- (c) According to Sections 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 for, by competitive bidding and registered post. Nevertheless, without adhering to that, water pipe equipment and stationery valued at Rs.310,381 had been purchased at 08 instances during the year under review by obtaining hand quotations.

2.6 Contact Administration

Three development schemes proposed to be implemented out of the general funds as referred to in the budget for the year under review at an estimate of Rs.325,000 had not been implemented during the year.

2.7 Identified Losses and Damages

According to the goods verification report for the year under review, shortages of 33 library books valued at Rs.4,037 of 02 libraries of the Sabha and an Auto Level Equipment valued at Rs.64,000 were observed. Action had not been taken to recover these shortages from the parties responsible or to take any suitable action.

2.8 Transactions not supported by adequate authority

Eleven employees had been recruited on substitute basis without obtaining the approval from the Commissioner of Local Government in terms of Section 19(1)(1) of the Pradeshiya Sabha Act No. 15 of 1987 and salaries amounting to Rs.1,507,695 had been paid from the funds of the Sabha for the period January to December of the year under review.

3. Systems and Controls

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

- (a) Accounting
- (b) Debtors and Creditors Control
- (c) Internal Control
- (d) Budgetary Control
- (e) Revenue Administration