

Pelmadulla 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 15 March 2012 and the financial statements for the preceding year had been presented on 19 April 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 24 July 2012.

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 Pelmadulla Pradeshiya Sabha had maintained proper accounting records for the year ended 31 December 2011 and except for the effects on the financial statements of the matters referred to in my report issued to the Chairman, 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 Pelmadulla Pradeshiya Sabha as at 31 December 2011 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 accounting deficiencies were observed

- (a) The opening balance of Rs. 907,000 of the preceding year relating to the land and buildings account had been shown in the balance sheet as a memorandum note, without being accounted as a balance brought forward through the land and buildings account.

- (b) 25% of the fines levied for cases filed under the Food Act are paid to the public health inspectors by the magistrate courts through the Sabha. As these payments are not an expenditure of the Sabha, the said transactions should be adjusted through the deposit account. However, the sum of Rs. 28,750 paid with regard to cases filed from June 2008 to December 2009 had been accounted under the Accumulated Fund Account.

1.3.2 Lack of Evidence for Audit

Non – Submission of Information for Audit

Transactions totalling Rs.18,054,585 could not be satisfactorily vouched in audit due to 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. 10,420,519 as compared with the excess of recurrent expenditure over revenue amounting to Rs. 5,916,321 for the preceding year.

2.2 Financial Control

The following deficiencies in financial control were observed.

- (a) The total of balances relating to 07 items of accounts amounted to Rs, 10,175,607 as per control accounts whereas the total of the said account balances as per subsidiary registers amounted to Rs. 5,383,853.
- (b) Action had not been taken in terms of Financial Regulation 396(d) of the Democratic Socialist Republic of Sri Lanka in respect of 08 cheques totalling Rs. 99,622 which had lapsed a period of 06 months from the date of issue as at 31 December 2011.

- (c) Action had not been taken according to the provisions in Financial Regulations 189 and 486 of the Democratic Socialist Republic of Sri Lanka in respect of 06 dishonoured cheques totalling Rs. 35,470
- (d) According to the Bank Reconciliation statement for the month of December 2011 relating to the Bank Account No. 004321443 maintained at the Bank of Ceylon, Pelmadulla, cash amounting to Rs. 16,271 relating to the years 2003 and 2004, cheques amounting to Rs. 6,933 and remittances amounting to Rs. 503,159 had not been credited to the bank account,
- (e) The bank balance shown in the cash book has been understated by Rs. 18,851 due to various deficiencies such as overpayments relating to cheques from the year 1993 to 2009, value of dishonoured cheques, postal charges, differences due to writing and totals, payments without vouchers, drawing cheques without making entries in the cash book, cheques written for lesser amounts, lesser deposits in banking and making payments without entries in the cash book. However, action had not been taken to rectify these even as at end of the year under review,

2:3 Revenue Administration

2:3:1 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 shown below.

Item of Revenue	Estimated	Actual	Accumulated Arrears as at 31 December
-----	-----	-----	-----
	Rs.'000	Rs.'000	Rs.'000
(i) Rates and Taxes	1,943	2,205	4,586
(ii) Lease Rents	1,232	1,190	1,174
(iii) Licence Fees	851	873	8
(iv) Other Revenue	12,500	3,312	17,510

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	9,470,269
(ii) Stamp Fees	8,039,329

2.3.3 Lease Rent on Fish Stalls

Although it had been stated in the agreement that a deposit of Rs. 114,690 should be obtained to lease out the fish stall No 06 of the general market for the year 2011 a sum of Rs.103,454 alone had been obtained as security for agreement. Action had not been taken to obtain the balance of the deposit amounting to Rs. 11,236 even as at 10 January 2012, the date of audit examination.

2.3.4 Acreage Tax

There were 173 units on which acreage tax should be payable for the year under review and action had not been taken to recover an income of Rs. 52,584 for 51 units even as at 10 January 2012, the date of audit examination.

2.3.5 Charges for Three wheeler parks

There were so many irregular three wheeler parks within the area of Sabha. Nevertheless, action had not been taken even as at 10 January 2012, the date of audit check, to fix separate locations for three wheeler parks and to earn an income annually or monthly by enacting bye-laws.

2.4 Transactions Not Supported by Adequate Authority

The following observations are made.

- (a) Salaries amounting to Rs. 384,972 had been paid to 06 substitutes and casual employees recruited to the Sabha without obtaining the approval of the Secretary to the Chief Ministry of the Sabaragamuwa Provincial Council in terms of circular No 01/2010 dated 16 November 2010.

- (b) According to Section 132(J) of the Pradeshiya Sabha Act No 15 of 1987, prior approval of the Minister should be obtained for the total expenditure incurred in excess of Rs. 1,000 on any religious, charitable, cultural, health, entertainment and educational activities. Nevertheless, action had not been taken to obtain such approval for expenditure totalling Rs. 70,500 incurred in 05 instances.
- (c) Members' allowances amounting to Rs. 124,750 had been paid for those who had not attended Sabha meetings in contrary to provisions in the Gazette Extra Ordinary Notification No. 1396/18 of the Democratic Socialist Republic of Sri Lanka dated 08 June 2005.

2.5 Irregular Transactions

The following observations are made.

- (a) A sum of Rs. 164,527 had been spent during the year under review for purchase of electrical equipment in respect of installation and maintenance of street lamps. Competitive quotations had not been called for with regard to the above purchase and prices had been obtained from only one institution and the electrical equipment received had been issued without entering in the stock register or any other register. Further, it was observed that a responsible officer had not supervised the fixing of street lamps.
- (b) An advance of Rs. 500,000 had been paid to a private supplier on 30 December 2011 to purchase a diesel cab valued at Rs. 667,000 without following the purchase procedure or a technical evaluation procedure in terms of provisions in the Procurement Circular No. NPA 08 dated 25 January 2006.

2.6 Contract Administration

The following observations are made

- (a) Laying concrete blocks on the Devalegama – Pathagamwila cross road from the provision of Rs. 500,000 made under the Maganaguma Rural Development Programme had been completed on 12 October 2011. However, a physical examination carried out on 09 January 2012 revealed that about 10 concrete blocks laid on the road had cracked and that 30% of the surface of the road had been washed away and certain places of the road had sunked.
- (b) Laying concrete on the Sannasgama Dimuthuwatha road from the provision of Rs. 500,000 made under the Maganaguma Rural Development Programme had been completed on 13 December 2011. A physical examination carried out on 09 January 2012 revealed that the concrete slabs near the retention wall had sunked and the laying of concrete slabs had not been properly done.
- (c) Construction of the Sannasgama – Egoda road and the retention wall in mid-way of the field carried out from the provision of Rs. 50,000 made under the Maganaguma Rural Development Programme was physically examined on 09 January 2012 and it was observed that the road had sunked about 2 ½ feet and that several concrete slabs had cracked. Further, it was observed that the surface of the road had been washed away and there were gaps in between the concrete slabs.

2.7 Operating / Management Inefficiencies

The following observations are made

- (a) The counterfoil book including counterfoils No 2401 to 2423 issued and unused counterfoil No. 2424 to 2500 that had been handed – over to the Revenue Administrator of the Sabha had been misplaced on 13 October 2011 and later

taken back by the Sabha. There had been delays for 03 to 12 days in depositing the sum of Rs. 21,397 collected by counterfoils.

- (b) The total of the staff loan balances outstanding for over one year as at 31 December 2011 was Rs. 390,266
- (c) The corporate plan, action plan and the annual performance report had not been prepared.

2.8 Underutilization of Funds

No expenditure had been incurred from the provisions totalling Rs. 1,871.500 obtained for the year under review in respect of 35 items of expenditure.

3 Systems and Controls

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

- (a) Accounting
- (b) Revenue Control
- (c) Budgetary Control
- (d) Contract Administration.