

Thanamalwila Pradeshiya Sabha

Monaragala District

1. Financial Statements

1.1 Presentation of Financial Statements

The financial statements for the year under review had been presented to audit on 27 April 2012 and the financial statements for the preceding year had been presented on 30 March 2011. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 19 November 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 Thanamalwila 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 forwarded 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 Thanamalwila Pradeshiya Sabha as at 31 December 2011 and the financial results of its operations for the year than ended

1.3 Comments on Financial Statements

1.3.1 Accounting Deficiencies

- (a) The value of the Sevanagala Sub – office building and its office equipment had not been assessed and brought to account.
- (b) Holiday pay amounting to Rs. 98,626 over – paid to the former Secretary of the Sabha had not been accounted as an amount receivable.

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. 3,415,336 as compared with the excess of revenue over recurrent expenditure amounting to Rs. 21,914 for the preceding year.

2.2 Budgetary Control

Variances ranging 19% to 100% are indicated between the expenditure estimated according to the budget for the year under review and the actual expenditure. Therefore, the budget had not been made use of as an effective tool of expenditure control.

2.3 Revenue Administration

2.3.1 Estimated Revenue, Actual Revenue and Arrears of Revenue

Information on 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	Cumulative Arrears as at 31 December
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	Rs. '000	Rs. '000	Rs. '000
(i) Lease Rent	4,146	4,115	1,356
(ii) Licence Fees	960	607	-
(iii) Other Revenue	811	256	-

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	8,513,667
(ii) Stamp Fees	91,050

2.3.3 Lease of Property

Action had not been taken in terms of Section 158(1)(b) of the Pradeshiya Sabha Act No. 15 of 1987 to recover the arrears of rent, charges for delay and other charges amounting to Rs. 818,350 due from the lessees to whom the Danduma weekly fair, Mahagama weekly fair, and Beef stall, Kiri – ibbanara weekly fair, Thanamalwila fish stall and the Danduma Beef stall had been leased out.

2.3.4 Stall Rent

Action had not been taken in terms of Section 159(1) of the Pradeshiya Sabha Act No. 15 of 1987 to recover a sum of Rs. 427,550 due as at 31 December 2011 in respect of 25 stalls for which payment of lease rent had been defaulted for over a long period.

2.3.5 Weekly Fair Rent

Value Added Tax amounting to Rs. 252,743 had been recovered less while recovering rent on Thanamalwila and Danduma weekly fairs,

2.3.6 Trade Licence Fees

Action had not been taken to revise licence fees after the year 2005.

2.4 Uneconomic Transactions

A sum of Rs. 1,174,351 had been paid to a private institution in November 2010 for the repairs to the cab owned by the Sabha. According to the examination report dated 30 March 2011 of the Mechanical Engineer, Uwa Province, it had been stated that the mechanical defects relating to repairs had occurred again. However, proper action had not been taken in this connection, other than informing to the institution from which the cab was repaired.

2.5 Transactions Not Supported by Adequate Authority

The following matters were observed.

- (a) The Sabha had given 31 appointments including 03 new appointments during the year 2011 contrary to Management Services Circulars No. 28, 28(i), 28(ii) and 36 dated 10 April 2006, 26 May 2006, 01 August 2006 and 01 August 2007 respectively and without obtaining written prior approval from the Commissioner of Local Government in terms of Section 19(1)(i) of the Pradeshiya Sabha Act No. 15 of 1987. Further, salaries and allowances and contributions to the Employees Provident Fund and Employees Trust Fund amounting to Rs. 4,919,926 had been paid by 31 December 2011.
- (b) Although 257 Litres of fuel valued at Rs. 20,434 in excess of the fuel limit approved for the cab of the Sabha had been purchased, the approval of the Commissioner of Local Government had not been obtained for this.
- (c) Welfare expenses amounting to Rs. 35,000 had been form the Sabha funds without obtaining the written prior approval of the Minister, contrary to the provisions of Section 132(j) and (k) of the Pradeshiya Sabha Act No. 15 of 1987.

2.6 Irregular Transactions

The following matters were observed.

- (a) Motor grader hire charges amounting to Rs. 750,523 had been paid during the period May to August 2010 for development of roads within the area under the control of Thanamalwila Pradeshiya Sabha without obtaining the recommendations and work done reports from the Technical Officer. The Technical Officer had refused to give recommendations and work done reports indicating that this work had been done under the personal supervision of the then

Chairman. Therefore, it was observed that the officers who approved and certified these payments had acted contrary to the 137 and 138 of the Financial Regulations of the Republic of Sri Lanka and Section 113 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988.

- (b) Out of the 57 street lines and non – acquirement certificates issued from January to 14 October 2011, only one certificate had been issued by the Chairmen with the recommendation of the Technical Officer and all other 56 certificates had been certified by the Secretary without obtaining the recommendations of the Technical Officer.
- (c) Vehicle hire charges amounting to Rs. 57,750 had been paid for private vehicles used for various activities by the Sabha without following the Government Procurement Procedures.
- (d) The Building Plan Committee of the Pradeshiya Sabha had not held meetings regularly and only 02 meetings had been held during the year. Only 03 out of the 15 applications submitted to the Committee during the year had been approval by the Committee and the Chairman personally had approval 07 applications and given the licences without the recommendations of the Committee,
- (b) Building materials and office equipment valued at Rs. 79,215 had been purchased without following the procurement procedures, contrary to the provisions of Section 1.2.1(a) of the Government Procurement Guidelines.
- (f) Holiday pay of 1/20 of the monthly salary had been paid to an officer of the government Management Service – class I who had worked as the Acting secretary of the Sabha, instead of paying 1/30 of the monthly salary, thus making an overpayment of Rs. 98,626 from June 2006 to September 2011.

- (g) Even though the repairs of the Circular Road, Gemunupura, Sevangala had been carried out from the provisions of the Southern Development Authority, fraudulent documents had been prepared to show that it had been done by the Thanamalwila Pradeshiya Sabha and a sum of Rs. 564,686 had been paid from the Sabha Funds. However, it has been reported that the relevant contractor society has admitted the fraudulent act and the amount of Rs. 399,499 erroneously obtained as computed by them has been refunded to the Sabha on 29 July 2011. Legal action had not been taken against the parties responsible for preparing fraudulent documents.

- (h) A sum of Rs. 301,463 had been paid during the period June to August 2010 for purchase of 4107 Litres of Diesel for the Motor graders used for the road development works within the area under the control of the Sabha. But, according to the bills submitted by the institutions which provided motor graders, it was observed that they had obtained 3515 Litres of Diesel only, Accordingly a sum of Rs. 43,462 had been overpaid for 592 Litres of Diesel.

- (j) A cheque valued at Rs. 128,295 had been written in the name of a private institution on voucher No. 55 dated 19 August 2010 for payment of hire charges for the motor graders used by the Sabha for road development works. Subsequently, it was observed that the payee name written on the cheque had been cut-off and the name of a person of the Sabha had been written, placed the required signatures and had obtained money from the Bank. A formal inquiry had not been carried out in this connection and legal action had not been taken against the parties responsible.

2.7 Operating Inefficiencies

The following matters were observed.

- (a) A sum of Rs. 97,570 had been paid in respect of repairing a Tractor Trailer without obtaining a work done report and recommendation of the Technical Officer to prove that the work has been properly done.

- (b) The officer-in - charge of the subject had reported that the radio fixed to the vehicle was missing at the time of handing over the cab of the Sabha by the casual Driver on 12 January 2011. Nevertheless, a new radio valued at Rs. 4,080 had been purchased from the Sabha funds and fixed to the vehicle without taking any action on the report made by the officer,
- (c) The value of accounts payable for over one year as at 31 December 2011 amounted to Rs. 977,031
- (d) An expenditure amounting to Rs. 1,061,088 had been incurred in excess of the budgeted provisions without getting approval for supplementary estimates, contrary to the requirements of Rule 141 of the Pradeshiya Sabha (Financial and Administrative) Rules – 1988
- (e) A complete survey on the property of the Sabha had not been done in terms of Rule 203 of the Pradeshiya Sabha (Financial and Administrative) Rules 1988 and a survey on stores materials had not been done after the year 2003 in terms of Rule 214.
- (f) Employees loans and advances due as at 31 December 2011 amounted to Rs. 1,655,405 and the total of the balances outstanding for over one year amounted to Rs. 738,793

3. Systems and Controls

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

- (a) Internal Control
- (b) Revenue Administration